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The Nation's Business

Exchange Control Shows We Take War Seriously

EXCHANGE Control came as a grave shock to the Canadian people. Everyone would have been pleased if we had been able to go through the war without locking up all foreign capital in Canada and refusing Canadians the right to trade in outside securities.

Imposition of so drastic a measure shows the seriousness with which this country is going about the business of preparing to make an effective contribution to the winning of what may prove to be a long war.

Already we have adopted a war budget which demands sacrificial taxation of the people. Machinery is being set up to control prices of basic materials. Now we have put all trade and financial transactions across the national boundaries under rigid control.

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THERE will be further regimentation to come.

Canada is engaged in a war with a totalitarian state that does not spare any effort to extract the last ounce of material and spiritual support from its people. We shall have to move even farther from our traditions of freedom in personal activity and toward totalitarianism if we are to meet the foes on an even basis.

Even at the worst, though, we shall still have greater freedom, greater prosperity, greater security than the German people will have.

The test of the measures we are taking will be the degree to which they unite us as an efficient nation doing a needed and unasked job with thoroughness and equality of sacrifice.

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THE TEST of our democracy will come after the war when we seek to liquidate the regimentation of war time and go back to a spirit of free enterprise. There would be no real victory in winning a war against dictatorship unless we were able to rid ourselves in times of peace of the near-dictatorship we are accepting in time of war.

Exchange control will not seriously affect the lives and habits of the Canadian people. It comes as the greater shock to foreign investors in this country. They should remember that their investments here would be of little value if Canada lost in the war or if its economy were shattered by its war effort. Anything that protects Canada protects their investments.

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No Present Need For Conscription

THERE is talk these days about conscription. It is being argued that compulsory enlistment is needed to ensure equality of sacrifice and maintain the initial flow of Canadian manpower into active war service.

There are at least two good reasons why conscription is undesirable and unwise at this time.

1. Conscription might arouse racial antagonism.

Obviously Canada's best contribution will be made unitedly. To jeopardize our initial war effort by dissension would be shortsighted. Nor is there need as yet to run this risk—a risk which may disappear as we proceed.

2. We need first to make sure what sort of a job we want individual Canadians to do in this war. Until we do this; until we unlock huge reserves of pent-up enthusiasm, energy and initiative, there is little point in conscripting tens of thousands of people into war service.

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THE resource that lies nearest to hand in Canada and which is as yet unused, is the eagerness and ability of millions of people to do something for their country. This huge source of strength lies almost untapped. Wherever it has been called on—for example by the veterans in their National Security Committees and by the women through their voluntary registration programme—the response has been overwhelming, magnificent.

Canada failed to use this great national backlog of individual initiative and self-sacrifice in tackling her unemployment problem. At no time was a proper effort made to enlist industry, individuals, service clubs, churches, social agencies and community organizations in a great co-ordinated national effort to re-habilitate jobless men and put them back to work.

Now the emergency of war has given us a new opportunity to see what voluntary effort under national leadership can achieve. To attempt conscription with its attendant risks until that plan has been tried, would be sheerest folly.

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Ontario Rebuilds Succession Tax Law

THE Ontario Government presented this week to its emergency legislature a thoroughly overhauled Succession Duty Act. Statutes which the new act replaces were unsound, arbitrary, undemocratic and confused. They were almost impossible of reasonable interpretation by executors and beneficiaries.

The new Act aims to clarify and interpret. It also removes some obnoxious and indefensible features of the old legislation. Though parts of the new statute will be objected to as being unnecessarily harsh and restrictive, at least those liable for tax may now enjoy reasonably

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Excess Profit Level Varies Between Firms

Estimates of Exempt Earnings Show Value of Alternative Schedules

CALCULATIONS MADE

To investors, probably the most important section of Canada's new wartime budget was the Excess Profits Tax Act.

This does not eliminate profits. Companies will still be allowed to earn money from their activities. There is no suggestion of "conscription of capital."

But the Government has to find means of financing Canada's war participation. It will have to buy great quantities of equipment and materials. Add to this the potential orders Canadian industry may be asked to fill by the British mission.

There are the facts which can force industry here to much higher rates of activity than for many months.

Supplements Income Tax

It is the potential earnings from this increase that the Government would tap by its Excess Profits Tax Act. This act is supplementary to the increase in the rate of corporation income tax from 15% to 18% in the case of non-consolidated returns and from 17% to 20% where a company elects to make its returns by consolidating statements of subsidiaries with those of the parent company.

The Financial Post has estimated the levels at which the Excess Profits Tax would come into effect in the case of a group of representative Canadian companies.

Necessarily this can only be an approximation. The new tax is based on alternative provisions and in some cases the base may include earnings for 1939 which cannot be known accurately at this time.

Capital Defined

To review the Act under the first schedule of rates, companies are to be taxed on a graduated scale based on profits earned on capital employed in the business. Capital of companies incorporated in Canada is defined for the purposes of the act as:

1. "The share capital paid up in cash or if issued for consideration other than cash, the fair equivalent, at the date of issue as the minister may determine, and in any event shall not exceed the par value thereof:

2. "The actual unimpaired reserve, rest or accumulated profits held at the commencement of an accounting period, reduced by one-half of the dividends paid during the period or deemed to have been received by shareholders thereof under section 13 of the Income War Tax Act."

Capital does not include any borrowed money such as bonds or bank loans. Nor does it include, for the purpose of this act, any stock issued for goodwill. Intangible assets, whether paid for in cash or not, or appreciation in value of assets used in the business are not included unless the minister is satisfied that such values should be recognized either in whole or in part or to the extent paid for in cash.

For companies not incorporated in Canada, "the capital shall be determined as provided for in the case of companies incorporated in Canada

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Textile Plants Speed Output

Woollen Mills Are Busy—Cotton Consumption Rises

From Our Own Correspondent

MONTREAL.—Marked improvement in business in recent months is reported by Canadian textile mills. In fact, some branches of the industry are operating at a higher level than at any time in the past two years.

There are a number of reasons for the improvement. War orders have, of course, played their part, although improvement was evident before the war clouds appeared.

During the first five months of the year the cotton textile industry operated at a lower level than in 1937. June was the first month that consumption of raw cotton in Canada rose above the level of the corresponding month of 1938. A further gain was recorded in both July and August.

Index Jumps Sharply

Activity in August rose to the highest level since Sept., 1938. The index of raw cotton consumption advanced to 148.4 in August. This compares with 126.0 in the previous month and 107.5 in August last year.

Inventories in Canada had been at a low level for some time. As a result there was a rush of buying from Canadian mills when prices began to stiffen in the United States.

The woollen industry is also operating at a much higher level than earlier in the year. In fact, the main difficulty facing the industry at present is the problem of securing sufficient raw material to enable it to fill orders.

One of the reasons for the spurt is a large order placed by the Dominion Government for cloth for uniforms and for blankets.

To Buy From British Government

One of the factors worrying the woollen industry has been the question of obtaining a steady supply of raw wool. Canada imports a considerable amount of wool, the chief sources of supply being Great Britain, Australia and New Zealand.

Public Opinion Gets Results

Mackenzie Ouster is Further Step in Clean-up of War Effort—But Cabinet Needs Stronger Men

It took a tidal wave of public opinion to awaken Prime Minister King to a realization of the fact that the country had little confidence in Hon. Ian Mackenzie as Minister of National Defense.

But now Mr. Mackenzie is out of the job where his record has been one of bungling and political favoritism, of unreadiness and delay.

Mr. Mackenzie had to go because his record was one that did not inspire public confidence. Canada's war effort would have been severely hampered had he remained in charge of defense.

* * * *

The decision to remove Mr. Mackenzie from his post follows upon revelations that The Financial Post and Maclean's Magazine have been publishing for more than a year regarding the ghastly manner in which Canada's defense programme has been managed.

This campaign, ably supported by newspapers of all shades of political opinion, has aroused public opinion to such an extent that the Prime Minister has been forced to make many clean-up moves.

Among the results of the articles in The Post and Maclean's may be mentioned these:

1. Revision of the Hahn machine gun contract to save the public treasury a considerable sum of money.
2. Disappearance of that arbitrary politician, Major General LaFleche, from active service as deputy minister.
   Conscription from outside of two experienced administrators to act as deputies for the Defense Department.
3. Defeat of Hugh Plaxton, M.P., political go-between in the Hahn contract, when he sought renomination in his riding.
4. Removal of defense purchasing from the control of the department and its assignment to a new Board responsible to the Minister of Finance.
5. Decision to appoint a Board of War Supply and the present endeavor to obtain the services of an outstanding industrialist to head it.
6. Provision for converting the Board of Supply later into a Ministry of Munitions and Supply.
7. Removal of Hon. Ian Mackenzie from his post as Minister of National Defense.

These achievements are consequential and constructive.

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The Financial Post has been represented in inspired propaganda as carrying on a traitorous and disloyal campaign. But outside of a very limited partisan circle, public opinion and the press have supported the campaign to the limit. The protests against the continuance, in charge of our war effort, of a man so obviously unfitted for the job as Mr. Mackenzie, reached amazing proportions. A crisis threatened the Government this week and forced the elimination of the minister from his post.

There was never anything personal nor partisan in The Post's attack upon Defense Department incompetence. The Post merely sought efficient administration for this key department. Efficient administration can never play favorites.

The new Minister of National Defense, Hon. Norman McL. Rogers, takes on a most difficult task. His experience in administration is limited. A Rhodes scholar, who was suddenly promoted out of the cloistered university halls to a cabinet post, he has naturally had difficulty in adjusting himself to the exacting demands of a business job.

He will find his new department riddled with political favoritism and patronage. He will find it divided between overzealous propagandists for the former minister and men who have been thoroughly unhappy under that minister's direction. He will need all the courage and independence possible to restore unity in its work.

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Mr. King has not really strengthened his cabinet as a whole in these moves. He has devised a complex shuffle that savors of football strategy. But in administration, as in football, trick plays are never a substitute for a strong team.

He has, too, placated public opinion. Making mere shifts where new strength is needed is a political rather than a businesslike move.

Mr. King should not delay the conscription of some of Canada's strongest business administrators for the key jobs in his cabinet.

It is an affront to the people of Canada that Mr. Mackenzie should be retained in the cabinet at all; an affront to the veterans of the last war that he should be made Minister of Pensions and National Health. What has he to commend him for any post except a record of poor administration, partisan favoritism and weakness in the face of emergencies?

The Department of Pensions and National Health no less than the Department of Defense requires sound executive ability, demonstrated in a record of achievement.

In the ordinary days of peace efficient administration of the affairs of government means lower taxes and greater prosperity. Today a strong and competent cabinet is essential to maintain public morale and to concentrate the nation's strength behind the purposes to which the people of Canada have resolutely set themselves.

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The Financial Post hopes and believes that the Prime Minister has further important cabinet moves in mind. No other conclusion would logically follow his firm public utterances on Canada's aims in the war and from certain steps he has already taken. The financial reorganization of Canada for the war effort has been undertaken in a forthright, determined manner, as is revealed by the War Budget and the Exchange Control.

Mr. King, it seems, has made up his mind that Canada is to take the war seriously and spare no effort ultimately to make this country's contribution a worthy one. But to do a good job he must have good men to help him. He must not retain weaklings and incompetents, even for party reasons.

The Post has been critical of the administration of the Defense Department. It may from time to time be critical in a constructive way of other phases of the conduct of war. It has no intention to nag or to quibble on minor points.

The Financial Post stands where all good Canadians stand—back of the Government in its determination to see the war through to a successful conclusion, and with the minimum of permanent injury to our economic and social structure. The Post stands for equality of sacrifice. It stands, too, for efficient conduct of the war. To achieve the final victory we need to utilize every ounce of strength in the nation's material and spiritual resources. This can be had only under a strong cabinet of businesslike men.

The Prime Minister has only begun his job of giving Canada a cabinet of strength and leadership.

Humberstone Shoe Co. Reports Lower Profit

Humberstone Shoe Co. reports net profit of $14,481 in the year ended July 31, compared with $27,273 in the previous year. This is equivalent to 72 cents and $1.36, respectively.

Reduction in earnings is accounted for largely by unsettled labor conditions during the year, which necessitated closing down of the company's plant for two months, H. H. Knoll, president, states in the annual report. There was also some extraordinary expenditure for factory alterations, which added to expenses.

Orange Crush Sales Gain But Profits May be Less

Sales volume of Orange Crush Ltd. has increased for the sixth successive year, E. P. Taylor informs the shareholders in an interim report. The company's financial year ends Oct. 31.

Prospects for continued gains in sales are encouraging, Mr. Taylor states. Net profits, after all charges, including provision for income taxes to Aug. 31, were more than sufficient to provide dividend requirements for the preference shares for the entire year, he states.

Abitibi Plan Is Reported Nearly Ready

Ontario Blocks Move for Judicial Sale by Bondholders

PROSPECTS IMPROVE

Outlook for an early reorganization of the Abitibi Power and Paper Co. took on a new aspect with the announcement by Hon. Peter Heenan, in Ontario Legislature on Sept. 19 that "in view of changed world conditions, the Government has come to the conclusion that it would be inadvisable if proceedings for a sale of the properties of the company under this plan are taken at the present time and this decision has been made known to the bondholders' protective committee."

In view of this official attitude on the part of the Ontario Government, it is not expected that the Symington bondholders' committee will proceed any further with its plan for a judicial sale of the Abitibi assets at present. What will finally develop cannot be stated definitely as yet. Mr. Heenan expressed his "hope that the junior security holders and the bondholders will co-operate in reaching a mutual understanding regarding their respective interests."

Plan Nearly Ready

Work is proceeding among representatives of the various shareholder and creditor groups to formulate a complete plan of reorganization along the lines suggested by the Bradshaw committee in August. It is understood that these groups have reached an agreement on the terms of the plan which they favor, including the distribution of new securities required. This plan, however, up to Sept. 20, had not been submitted to the Symington committee. It is doubtful if any official word of their plans will be available until the bondholders' protective committee has had an opportunity to indicate its reaction and probable approval or disapproval.

Possible Distribution

A logical starting point for interests working on a reasonable division of new securities among holders of present preferred and common stocks and general creditors would be the basis used under the bondholders' protective committee plan for the distribution of the proposed stock purchase warrants. Under this scheme warrants for the purchase of common stock would have been given on the following basis:

	Per $100 claim or per sh.	Aggregate per class
Unsecured creditors	39.56	306,596
7% preferred	12	120,000
6% preferred	4	1,305,272
Common	1/10	108,812
		1,930,680

Both because this division has already met with the approval of the powerful bondholders' interests represented by the Symington committee and because it closely resembles the proportionate division used in other schemes, it would not be at all surprising if this basis for distributing new shares among junior equity holders were suggested.

Whether or not the final proposals will be much changed from the outline already published is not known. Under the original letter addressed by Messrs. Bradshaw, Ferguson and Scott to the various committees, the bondholders would have received the full amount, approximately $70 millions, of the principal and interest of their claim in 5% preferred stock. They would also have been given control of the company for a period. Junior security holders would have received common stock on an unstated basis.

To keep up dividends on $70 millions of preferred stock at 5% would require $3.5 millions, after allowing

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Will Carry On Housing Projects

From Our Own Correspondent

OTTAWA.—"Business as usual" was the answer given in the Housing branch of the Finance Department when the question of future operations was raised.

The general view is that the Government, while not interfering with the operation of the Housing Act and the Home Improvement scheme, will no longer endeavor to force expansion. It is recognized that there is a need for more homes in many sections of the country.

Urge Ottawa Control Fuel

Would Give Protection for Both Consumer and Producer

From Our Own Correspondent

MONTREAL.—Strong representations are being made in Ottawa for the appointment of a Dominion Fuel Controller who will be given absolute control over the setting of prices, etc., both for the protection of the consumer and producer. It is suggested that the present Dominion Fuel Board be used as a nucleus for the new body, as it is already familiar with the domestic and international coal situation. By extending its powers to fix prices, etc., the Fuel Board could effectively take the place of the Fuel Controller set up in the last war.

During the last war there was a runaway market for coal. The market was far from being stabilized and the prices charged the consumer reached abnormally high levels, as much as $20 to $25 a ton for anthracite. The office of Fuel Controller was not established until late in 1917 by which time the situation had developed along lines detrimental to the interests of the domestic and industrial consumer.

Need for Control

What is needed now, it is being urged, is some form of Federal control, either a Controller or Board, which will regulate selling prices, making such adjustments from time to time as made necessary by changing shipping costs, freight rates, insurance, labor costs, etc. By doing so at an early date the market will be kept under control and prices stabilized. The producers are as much in favor of this move as the consumer, as they would have to bear the brunt of the charge of alleged profiteering in the event of a runaway market.

Mortgage Plan Decision Near

An Announcement From Ottawa on Bank Expected

Announcement of the Dominion Government's decision on the fate of the Central Mortgage Bank is expected in the near future, The Financial Post understands. Directors of the Bank met earlier in the week in Ottawa.

There has been no official pronouncement of what will happen to the machinery that the Government has created to adjust mortgage debts in the Dominion, whether the plan will be carried out on some modified scale, or whether it will be definitely shelved until such time as it may be possible to bring it into action.

Much preliminary work has been done, and as it stands might form the nucleus for a scheme to apply at some future date.

Ontario Simplifies Succession Duty Acts

Ontario's contentious succession duty legislation was scrapped this week. Premier Hepburn introduced a greatly simplified statute in the Legislature. It replaces confused, overlapping acts which though netting the province tens of millions of dollars in additional revenue in recent years have caused widespread legal and civil protests in all parts of the province.

The act represents a considerable victory for those who favored elimination of Star Chamber methods on succession duty tax administration in the province. Eleventh hour changes just before the act was introduced into the house brought further modification of powers granted treasury officials to investigate estates.

Major changes introduced into the collection of provincial succession duties, include:

1. Clarification and interpretation of former tax measures.
2. Further strengthening of the provincial treasurer's authority to investigate estates.
3. Drastic changes in exemption of family and charitable gifts.
4. Some reduction in penalties for non-disclosure.
5. Increased surtax from 15% to 20% in case of collaterals and 25% for strangers.
6. Provision for appeal to Supreme Court from rulings of treasurer.
7. Finality of Treasurer's valuation of unlisted stocks is removed with right of appeal now permitted.
8. Application of act to closed estates now lapses after six years in line with English practice. Provincial Treasurer still retains, unlimited power of investigation thus qualifying finality of new provisions.
9. Beneficiaries as well as executors must now file affidavit showing inventory of all property passing to him.

Apart from simplifying and clarifying existing legislation the new act achieves two broad purposes.

It places beyond the reach of the courts and establishes beyond ques-

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Highlights

Canada's flue-cured tobacco crop brings $15 millions to a small section of Ontario. About 80% of the tobacco used in the Dominion is grown in this corner. This new wealth-creating industry is reviewed in

Tobacco Supplement—p. 11-16.

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Canada's financing of huge war expenditures is a subject that will profoundly affect this generation and succeeding ones. How the last Great War was financed and the possible method of preparing the nation for war this time is discussed in

Canada Prepares—p. 20.

* * *

Copper production may be a deciding factor in the present war. A Financial Post survey reveals that British Empire sources of production are much larger than at the start of the last war. Canadian output is seven times as great.

Canada's War Metals—p. 19.

Control of Exchange Vital to War Effort

Seen Best Protection Possible for Foreign Investors Under Circumstances Despite Fact Their Assets Temporarily Locked Up

Creation of the Foreign Exchange Control Board is just as much a war measure as calling out the army and imposing a new set of taxes to help pay for Canada's war effort. This is a serious war and Canada is going into it in a serious way; hence, exchange control is essential as a national conservation and stabilizing measure.

That, broadly, The Financial Post can reveal, is the point of view behind the exchange legislation enacted by order-in-council this week under terms of the War Measures Act. Precisely such action was predicted in this newspaper a fortnight ago.

Canada has decided to use all her resources; her men, her mines, her farms, her great industrial plants in helping win the war. With the determination of not missing a single trick in this effort, finance officials were satisfied that exchange control was vital.

While foreign investments in this country are temporarily frozen by the new regulations, officials are confident that the present action is, in the long run at least, by far in the best interests of outside investors.

Without exchange control, Canada would be seriously handicapped and start with a grave national disadvantage because of the speculative attractions in some countries at peace and, where war taxes and restrictions have not been imposed.

Follows British Plan

It is admitted that by "closing the till" this way for the first time in her history Canada is inviting a black mark on her international financial record, but it is felt that the need is so evidently urgent that the black mark will be readily eradicated. Great Britain, of course, has long since had similar exchange control in effect.

Conviction that war is "likely to last for a long time" is frankly in the minds of proponents of the measure.

There was no immediate situation requiring exchange control, it is understood. There was very little flight of capital from Canada. There was the prospect that in a few months any capital flight that did exist would likely dry up and that speculation in Canada-U.S. exchange would cease.

It was felt, however, that the Government's policy of complete national mobilization for war demanded such action and at once.

Amounts to This

Boiled down, the exchange control regulations amount, under present conditions, to this:

Any transaction which represents a flight of capital is prohibited.

Canadians will be prohibited absolutely from sending additional funds abroad for purchase of additional securities. They can do what they like with all money invested abroad at the close of business, September 15.

Foreign investors in Canadian securities cannot cash those securities and get their money out of this country.

No administrative barrier is set up against the influx of foreign capital, though it is admitted effect of the regulation will likely be to deter foreign investment here, for the present.

Can Buy or Sell

There will be no hindrance to the payment of dividends, nor to payments for the servicing or repayment of any type of debt abroad. Permits will be freely granted for such purposes and early fears that the provinces of British Columbia, Quebec and New Brunswick, which have extensive debt in the United States, might have difficulty on this point are declared completely unjustified.

Quite a few securities, familiar on Canadian stock exchanges, are, under terms of the exchange control, classed as foreign. The Act defines these as all Canadian bonds, stocks or other securities whose interest, dividends, or principal is payable in United States or other foreign currency.

There is no interference with foreign securities held by Canadians prior to September 16. Only declaration to that effect is requested, so long as transactions are made entirely in this country. For example, a Canadian owning outright a group of U. S. stocks could use them as collateral for purchase of other stocks on margin. He can also buy or sell U. S. securities provided the deal is made entirely within the country.

International trade in commodities, manufactured goods, etc., will

(Continued on page 2, col. 3)

Post Forecast Exchange Control

Canada's drastic control of foreign exchange transactions was not news to readers of The Financial Post.

Sixteen days before Ottawa announced the move, The Post forecast what would happen. It said:

> "Immediate control of money markets and foreign exchange, as well as the registration of the foreign investments of Canadians, will follow directly after the outbreak of war."

The Post's news was denied. But it was right.

Nor was the "pay-as-you-go" war budget news to Post readers. It followed in every detail the forecast of The Post.

Hinde & Dauch Reported Busy

First Price Increases Since Cutting Started Announced This Week

Hinde & Dauch Paper Co. of Canada is operating at a high rate of capacity. Considerable improvement in the container business has been noted in recent weeks. One factor, The Financial Post is told, has been an acceleration in the movements of canned foods overseas.

Like many other businesses, prices have been changed in certain lines. Kraft liner board selling price has been moved up 11% by Hinde & Dauch while straw board for corrugating purposes is up about 12%.

This is the first reversal in the downward trend of prices in the container industry in Canada for about two years past. Successive reductions have brought prices to low levels and had cut into the profit margins of container manufacturers.

Hinde & Dauch reports that the materials used in making containers are also up substantially in some cases. One instance cited was of a 72% price increase this week. Both container manufacturers and suppliers of materials are protecting themselves by refusing to quote prices for future delivery. A factor is said to be the rapid rise in price of waste paper since the outbreak of war.

In spite of the low levels of prices prevailing for many months in the paper container industry, Hinde & Dauch have "not been losing any money," The Financial Post is told. Just how earnings this year compare with a year ago, however, is not known but the final comparison may be better than has been expected. Last year, Hinde & Dauch earned $1.42 a share on its common stock. The annual dividend was reduced by one half to 50 cents a share this year, following continued price cuts.

Uniforms Are First Problem

Expect Sizeable Armament Orders to be Placed Very Shortly

Though it is expected that some very sizeable orders for armaments will shortly be placed with Canadian firms, both by the Canadian Government and by the British Mission now at work here, it is understood that the first concern has been with speedy provision for the more elementary supplies required for the troops already called out and for new enlistments, such as uniforms, shoes, etc.

The chairman of the British Mission, Sir James Rae, undersecretary of the treasury, arrived in Ottawa early this week, accompanied by three other members of the Commission, main force of which arrived a week earlier. This was not as was announced in a radio broadcast, "a second British Mission," merely the complement of the first.

Wallace R. Campbell, of the Ford Motor Co. of Canada was still, at time of going to press, considered the most likely appointment to head the Munitions Board which is being set up to control all war purchases.

Both Railways Get Equipment

Orders Totalling $25 Millions to be Placed Immediately

From Our Own Correspondent

MONTREAL.—Plans of the Dominion Government to order $30 millions of new equipment for the Canadian National Railways have been changed.

Details of the Government's plans are lacking but it is reliably reported that new equipment will be ordered for both the Canadian National and Canadian Pacific. The orders are expected to aggregate $25 millions.

Orders for the proposed $30 millions of new equipment for the C.N.R. were to have been spread over the next 18 months. It has now been decided to place orders immediately to permit railway equipment companies to be free for munitions business later.

Freight cars and locomotives make up the bulk of the order.

Hat News
FROM
EATON'S

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Municipal Bonds

Sept. 19, 1939

†Halifax ...	5	1961	101.00	104.00	4.70
Hamilton..	5	1950	102.30	104.30	4.50
Montreal ..	5	1945	92.00	95.00	6.10
Ottawa ...	4½	1945	101.90	103.90	3.75
†Quebec ...	5	1959	98.00	101.00	4.92
Saint John	5	1950	100.00	103.00	4.66
†Toronto ...	4½	1955	99.70	101.70	4.35
†Vancouver.	5	1950	93.00	98.00	5.25
Winnipeg .	5	1944	93.00	98.00	5.50

†Payable Can. and N.Y.

Abitibi Plan Nearly Ready

(Continued from page 1)

for expenses and depreciation. This is a sum larger than Abitibi has been able to earn even during the prosperous year 1937, according to the receiver's accounts.

War Revises Plans

Now it is recognized that wartime conditions have changed the picture although to what extent it is difficult to estimate with any accuracy. It is expected that the new conditions have been studied by the Abitibi management under the direction of G. T. Clarkson, receiver and manager. One report is to the effect that plans have been laid for raising the budgetted requirements for pulpwood for the coming season to almost double earlier figures. This would apparently indicate plans for near capacity operations in 1940 as compared with approximately 50% of capacity in the first half of 1939. If an increase of this nature is actually found necessary, it will undoubtedly raise earnings well above any recent figure.

The next question is how long such a scale of operations can be expected to continue. The expected spurt is clearly due to the effect of the war, but we have no means of telling how long the war is going to last. Also such an increase could easily make necessary heavy capital expenditures for plant improvements. These two considerations indicate that some caution in basing any reorganization plan on a war inspired newsprint boom would be justified.

Order-in-Council Stands

Mr. Heenan tells The Financial Post that there has been no alteration in the order-in-council of last March whereby the timber and water power concessions granted under a previous order-in-council of June 1937, were extended to April 1, 1940. This order-in-council still stands and the concessions made through it would be extended to any sponsors of a plan of reorganization which seemed fair to the Government. Notice has, however, been given to the bondholders' protective committee that its plan for a judicial sale of assets would not now qualify.

In addition to the Bradshaw committee, the liquidator, R. S. McPherson, has also been active in attempting to bring some sound and acceptable scheme out of the tentative proposals mentioned. Mr. McPherson is ready to facilitate any desirable move when requested.

A MUTUAL COMPANY
NORTH AMERICAN LIFE
Solid as the Continent
Head Office:
Toronto, Ont.
ALL PROFITS FOR POLICYHOLDERS

The Nation's Business

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clear access to the courts. This was denied under the old iniquitous law.

* * *

PRELIMINARY drafts of the new statute showed the Government to have retained for its treasury officials very sweeping inquisitorial powers; powers heretofore reserved solely for the judiciary. Last-minute changes have fortunately modified the Star Chamber methods of investigation which have made operation of the Act so abhorrent to law-abiding citizens.

The Ontario Government has every right to deal firmly with dishonest tax evaders. It has no right to treat everyone who has an estate over a certain amount as a potential criminal. The political leaders of Ontario, now that they have admitted the high-handedness of their previous estate-tax practices, should go farther and inject into the administration of this important department, principles of co-operation and mutuality.

There is no reason why succession duty administration should be a constant source of irritation and friction between the province and wealthy citizens. The latter should be attracted, rather than repelled, from domicile in Canada's foremost province.

* * *

Canadian Women Give Inspiring Lead

THE voluntary contribution of Canadian women to their country as it mobilizes to meet the challenge of war is already an impressive one.

From coast to coast women by the thousands are coming forward to register themselves and to indicate the character of their skill and experience available to be thrown into the war effort.

The Voluntary Registration of Canadian Women is one of the most inspiring things ever done in this country. To the women who are carrying it out Canada must be forever grateful.

When the registrations have been completed, there will be need for additional effort in compiling the information gathered, listing the women according to their technical and other abilities and supplying the record to Ottawa.

* * *

PRACTICALLY all women's organizations in Canada have joined to put the registration over successfully. They have set up committees whose efficiency may well set an example to governmental offices. Some money will be needed to pay inescapable bills, although contributions in time and kind have already been generous.

Businessmen who make financial contributions to the work of the Voluntary Organization of Canadian Women can be assured that they are saving on their taxes, for the registration will be done by the women at a fraction of the cost to the Government of doing a similar job. No one is getting a salary. The only expense has been for postage, travelling expenses, etc., but on a nationwide scheme successfully carried through even such items will be considerable.

* * *

Selfish Materialism In Neutrality Talk

THE cold-blooded materialism of some of the proponents of "neutrality" in the United States is a little shocking at this time when the world is engaged in a struggle to the death against the armed might behind the Nazi revolution of violence.

Raymond Moley, in Newsweek, for example, puts the whole thing on a basis of pure selfishness.

The United States should sell planes to the Allies, he argues. And why? Because planes go rapidly out of date.

Therefore, sell planes as fast as possible to the Allies, using the orders to develop and expand equipment. Then, when the U. S. A. needs planes for itself, it will be able to turn out as many as it needs of the newest types. This is a variation of the almighty dollar theme.

What about the question of the security of the British fleet, whose destruction must not be permitted if the United States itself is to be safe? That, says Moley, is a possibility so remote as not to be a matter of concern. In short, so long as the policeman is there protecting you, why worry about helping him to do the job, saying thank you, or contributing to his keep?

* * *

RECENTLY in a most offensive article in the anti-British Saturday Evening Post, Moley tried to make it appear that President Roosevelt's concern over what was happening in Europe was a mere cover for his mistakes at home, and an effort to establish a totalitarian state in the United States centred on the White House.

But Mr. Moley's own account of the World Monetary and Economic Conference of 1933 reveals pretty clearly that when he himself had a chance to help European statesmen solve their pressing economic problems, he assumed an attitude of cynical detachment and amused tolerance.

Mr. Moley, from time to time, speaks in terms of deepest irony of Secretary of State Hull. The reason is obvious. Mr. Hull happens to stand for decency and morality in international affairs. The cynical materialist thinks Mr. Hull is just a little bit touched.

If he is, then so are the British people, and the vast majority of Anglo-Saxons in the United States.

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War Disrupts B. C. Finance

Coast Province Has Many Issues in United States

From Our Own Correspondent

VANCOUVER. — Because British Columbia's Government has financed in recent years largely in New York, imposition of exchange control may have far-reaching repercussions here, members of the provincial cabinet fear.

Hon. John Hart, Minister of Finance, is now on his way to New York to confer on the situation. The purpose of his trip originally was merely to sign bonds for $3 millions borrowed earlier this year. He will probably spend some time in Ottawa consulting members of the Exchange Board and Federal Government finance officials.

The province had counted on a big refinancing project for next year. More than $40 millions in maturities will have to be dealt with. A year later Pacific Great Eastern Railway loans to the extent of more than $20 millions fall due.

Changed conditions resulting from the war have created a situation which the Government had not anticipated a few weeks ago; in fact, they have altered the whole outlook for financial operations of the provincial administration.

The bulk of British Columbia's public debt is payable in both Canadian and New York funds, and about 40 issues are thus tied to the United States dollar. Similarly a considerable amount is payable in Canadian currency and the pound sterling.

Under the terms of the Exchange Control Act British Columbia would require a permit to transfer funds from Canada for repayment of a foreign debt, but it is not anticipated that there would be any difficulty in securing that permission.

Control of Exchange

(Continued from page 1)

not be hampered, permits for such payments required on bona fide business deals being freely granted.

Conservation Policy

"This is just a conservation policy. Can we permit Canadians to choose whether they will invest in this country or in some other country which is at peace, where there is no burden of war taxation and where speculative opportunities at this time are probably greater?" one official conversant with the legislation asked. "Can we permit people to liquidate their holdings here at a time like this, deprive Canada of the advantage of those funds and take their money to greener pastures?

"If we had to compete with that sort of a movement of capital, Canada would be handicapped right from the start. We might have to pay far too high a price, relatively, for our war effort, not only in dollars, but over the longer term in the psychological and social effects on the community at large. We need every dollar we can get for foreign exchange."

That was the primary reason for enacting the exchange control now.

Second, it is pointed out, Canada would have had to come to some form of export licensing anyway; to conserve supplies; to control their destination. Whatever form this took, import licenses or another, international trade would have had the intervention of government. The exchange control gives much broader control and is no more of a nuisance to business at large.

Locked Up For Now

Foreign investments in Canada are definitely locked up for the time being. The larger investor (there are provisions for the smaller fellow) might just as well make up his mind that his money is here, tied up, but in very safe keeping.

Ottawa points out that it was literally tied up here anyway. A few individuals might have succeeded in getting their funds out of Canada after September 3, but a general flight of capital from Canada, a country at war, would have meant flooded and saturated security markets—and frozen assets.

How long is the absolute prohibition of export or freezing of foreign investments in this country likely to continue? Officials indicate that if financing Canada's war effort becomes less onerous than it is now; if it can be done without weakening Canada's war effort, a certain amount of withdrawals will be permitted.

For Canada to come through the war with a minimum of economic suffering and dislocation is as much to the welfare of the foreign investor as it is to Canadians, it is pointed out.

No Interference With Dividends

Though capital is barred from leaving Canada, there is no interference with the servicing of foreign debt. Dividends will continue to be paid as usual; currency permits will be freely granted. On Canadian securities, owned by foreigners and payable in foreign currency, such as United States dollars, currency will be sold as required.

With foreign securities kept in Canada for safe keeping, the owner can get them out. Only if cashed do they present difficulty.

It is admitted that the exchange control will adversely affect further foreign investment in this country, at least, until its terms are better understood. It is admitted foreign investment is highly desirable; that wealth invested here would be a valuable contribution, both by itself and in the taxes it would pay, toward Canada's war effort.

But it is considered doubtful if much outside capital would have come to Canada in wartime in any case. For bonds and other trustee investments outside funds were considered virtually cut off.

It is not thought that the exchange control will for long have any adverse effect on foreign investment in speculative Canadian enterprise where the profit possibilities are big enough to offset any temporary disadvantage of capital unable to leave the country.

This type of investment is usually, for a period, pretty well frozen in any case.

Don't Want Par $

Will the exchange control have the effect of bringing the Canadian dollar and the pound sterling closer together? (The day exchange control was announced, the spread between the two currencies was considerably reduced.)

Officials admit that it would be to Canada's advantage to have the pound and the Canadian dollar closer together. But exchange control is not enough to bring that result by itself. Furthermore, under present conditions, it would be definitely to Canada's disadvantage to have the Canadian dollar at par with the U. S. dollar.

So far as recent action of the pound sterling is concerned, it was pointed out that the New York market for that currency has been badly depressed because of bear raids and wide speculation. New York quotations several days last week were by no means a fair picture of fair value based on the facts of the exchange situation, a banker told The Financial Post. It was for this reason that the Bank of Canada bought sterling at considerably above the quoted price (based on New York) several days last week.

Does the exchange control violate the terms of Canada's trade agreements with the United States?

In those agreements are clauses covering a situation where the Canadian-United States currencies get badly out of line. It is believed here Washington is in full sympathy with the Canadian currency action and that pending further developments no action will be taken to enforce the letter of the law.

Banks May Gain

Chartered banks will suffer little from the regulation directing the Bank of Canada to declare a fixed rate for the Canadian dollar every morning. Heretofore, the banks have speculated in foreign exchange to protect their own positions. Result was that, especially in recent weeks, Canadians have found widely different rates quoted by various banks. The old system also meant that, in seeking to protect its position, banks took profits today, losses tomorrow and considered themselves lucky if foreign exchange departments were able to show a meagre profit over the year.

Under new regulations the same rate will be quoted throughout the nation daily by all the banks. They will have certainty in place of uncertainty, a stated, uniform spread allowed for their service.

Still Confused

Financial circles are still in considerable confusion since the exchange control was imposed. Some brokerage houses, doing a large volume of business in U. S. securities, regard the immediate outlook as bleak. Several stated that regulation somewhat along this line was not unexpected and that the need for exchange control in wartime is evident.

To provide for purchase or sale of foreign stocks already held in Canada by Canadian residents, Toronto and Montreal curb markets are offering facilities for buying or selling such securities here. This means that where a Canadian holds 100 shares of U. S. Steel and wants to sell it, he can do so to another Canadian through the facilities of the exchanges, provided he can find a buyer who wants exactly 100 shares of U. S. Steel. Any stock listed on the New York Stock Exchange will be handled in this way, but for the first two days of the regulations there had been no such transactions. Canadians apparently are not anxious to dispose of their U. S. stocks when they probably will be unable to replace them. Any such transactions would be in Canadian funds and would not involve any foreign exchange transaction.

Arbitrage transactions between members of a Canadian stock exchange and non-resident brokers are not being permitted.

Ontario Simplifies Succession Duties

(Continued from page 1)

tion the right of the Provincial Treasurer or his nominees to exercise the widest powers of investigation in respect of estates liable for succession duties.

On the other hand it modifies many obnoxious and arbitrary features of the old act which have caused widespread dissatisfaction and protest in recent years.

Comment among lawyers and experienced estate officials is generally favorable to the new act.

Objection is still voiced to the sweeping powers of investigation retained and confirmed by the provincial treasurer. It is pointed out that these powers are far wider than are given any officer of the law; that they give to special investigators who may be named by the treasurer, powers formerly reserved as a purely judicial right. It is contended that investigatory powers under the new act do not afford as much privilege or protection as is afforded a person in a criminal investigation.

Retention of these sweeping investigatory powers at the "absolute discretion" of the treasurer or his investigator is said to nullify to a considerable degree the attempt to bring finality into the act by setting a six year time limit after which no estate may be reopened. The new act qualifies this finality clause (based on English practice) by giving the treasurer sweeping powers of investigation notwithstanding anything contained in the act by way of limitation of liability.

New Penalty Clauses

In respect of penalties for non-disclosure the new mill limits these to a uniform 100% of the duty, with a fine of $1 to $10 daily for failure to report any property. In the latter case the maximum is now fixed at the amount of the property not so disclosed.

Former penalties in ordinary cases were 100%, and $10 a day "flat." In case the non-disclosure came to light as a result of the enquiry by a commissioner, the penalty rose to 200% plus a per diem impost of from $1 to $100.

While some relief is indicated by the new scale of penalties, opinion is expressed that even the new scale is punitive and lacking in discrimination as to the reason for non-disclosure. Innocent and guilty are all called on to suffer unusually heavy imposts indiscriminately, it is contended. Fear is expressed that these penalties in the future (as in the past) may be used as a "big stick" to force settlement without regard to the courts.

The new provision requiring each individual beneficiary, as well as executors, to file within three months personal affidavits giving an inventory of all property passing to him is deemed "awkward," "unnecessary." It is claimed the new provision will entail a considerable amount of duplication and costly, repetitious effort.

The new exemption clauses are important.

Under the old act all gifts since 1892 were taxable with the exception of gifts over 10 years before death to a wide class of members of the family and to an amount of $20,000 made over 3 years before death to force settlement without resort to family.

The new bill exempts gifts to charitable organizations and exempts devices and bequests to charitable organizations only up to 50% of the estate. All gifts more than 20 years before death are totally exempted and gifts made more than 10 years before death are totally exempted to immediate members of the family.

The present act also exempts devises, bequests and gifts to the Canadian Red Cross Society and extends exemption to the Canadian National Institute for the Blind and any patriotic organization approved by the Secretary of State.

B. C. Power Makes Big Capital Outlay

Electric Power Sales Show Sharp Increase in 1938-39

From Our Own Correspondent

MONTREAL. — British Columbia Power Corp. spent $1.8 million in the year ended June 30 last on plant additions and extension of facilities to meet service requirements.

The largest item of expenditure was in connection with power and light service extensions and improvement to facilities amounting to $621,400.

Railway Revenue Down

Gross revenue from electric railway passenger service declined slightly although the number of passengers carried totalled 71,541,392 as compared with 71,528,921 in 1937-38. Electric railway and bus passenger miles operated on the mainland increased by 330,000 miles. Tons of freight carried declined from 290,306 to 261,132.

Sales of electrical energy to power and light customers increased from 428,635,502 kilowatt hours to 451,614,682 kilowatt hours.

The percentage of gross revenue absorbed by direct taxes in 1938-39 was 11.3%. Total taxes for the year amounted to $2,298,790, which is more than the interest and fixed dividends payable on the company's bonds and the preferred stocks of its subsidiaries.

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Dominion— Canada Treasury Bills	Sept...	....	...	Dec. 15, '39	25,000,000	99.780	.840%

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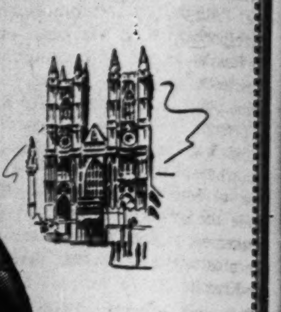

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Canadian Dredge Gets Port Arthur Contract

Canadian Dredge & Dock Co. has been awarded a contract for dredging in the Port Arthur harbor. Amount of the contract is about $137,000. This will be in addition to previous contracts for slightly over $413,000 already obtained by the company at Port Arthur, Ont.

Canada Cement Co. To Redeem Bonds

MONTREAL.—Canada Cement Co. has called for redemption on Nov. 1 the $750,000 of its first mortgage bonds which are due Nov. 1, 1940. The redemption price is 101.

This will complete redemption of the $3 millions of 3% series A bonds issued in 1936 in connection with refunding of the company's bonded debt.

CANADA

DEPARTMENT OF THE SECRETARY OF STATE

REGULATIONS RESPECTING TRADING WITH THE ENEMY

PUBLIC notice is hereby given that Orders and Regulations Respecting Trading with the Enemy have been enacted and put into force by Orders in Council P.C. 2512 and P.C. 2586.

The Regulations are effective from September 2nd, 1939, to September 10, 1939, as a period of apprehended war, and are effective from September 10th, 1939, as a period of war.

The following is a brief summary of the Regulations which have been published in full in the *Canada Gazette* on September 11th, 1939:—

(1) Any person who trades or attempts to trade or directly or indirectly offers or proposes or agrees to trade, or has traded, attempted or directly or indirectly offfered or proposed or agreed to trade with the enemy within the meaning of the Regulations shall be guilty of the offence of trading with the enemy.

(2) No transfer made by or on behalf of an enemy of any securities shall confer on the transferee any rights or remedies in respect thereof and no company or municipal authority or other body by whom the securities were issued or are managed shall take any cognizance of or otherwise act upon any notice of such a transfer, and no entry shall be made in any register or branch register or other book kept by any Dominion or Provincial company, whether or not such register or branch register or other book is kept within Canada, or by any other company which has within Canada any register or branch register or other book, of any transfer of any securities therein registered, inscribed or standing in the name of an enemy.

The above summarized Regulation applies to all transfers of securities regardless of the nationality of the transferee, the place of transfer, the location of the certificates or the situs of the registry where such securities may be registered.

(3) No share warrants payable to bearer shall be issued in respect of any shares or stock registered in the name of an enemy.

(4) All property, rights and interests in Canada belonging to enemies are vested in the Custodian.

(5) Where any coupon or other security transferable by delivery is presented for payment to any company, municipal authority or other body or person, and there is reason to suspect that it is presented on behalf of or for the benefit of an enemy or that it has been held by or for the benefit of an enemy, the sums due shall be paid to the Custodian.

(6) Any sum which would have been payable and paid to or for the benefit of an enemy, by way of dividends, interest or share of profits or debts, and all such sums which shall become payable shall be paid to the Custodian.

(7) If any sum has been paid into any account or to any person in trust for an enemy such person making the payment shall within thirty days, by notice in writing, require the person to whom the sum was paid to pay such sum to the Custodian and shall also furnish the Custodian with particulars concerning same. The person receiving such sum shall within one week after the receipt of the notice comply with these Regulations.

Provided that in the case of such sums as, had a state of war not existed, would have been payable and paid to enemies, the duty of making payments to the Custodian and of requiring payments to be made and the furnishing of particulars shall rest with the person through whom the payments are made.

(8) Any person who holds or manages for or on behalf of an enemy any property shall, within thirty days or within thirty days of the property coming into his possession or under his control, by notice in writing communicate the fact to the Custodian.

This Regulation extends to and applies to balances and deposits standing to the credit of enemies and debts which are due or which become due.

(9) Every company Dominion or Provincial and every other company having a share transfer or share registration office in Canada shall, within thirty days by notice in writing, communicate to the Custodian full particulars of any shares, stock, debentures, or debenture stock and any other obligations of the company which are held by or for the benefit of an enemy.

This Regulation applies to partnerships so far as there is any enemy interest in same.

(10) Any person in Canada to whom a debt is owing, or becomes due, by an enemy shall within one month or within one month of the due date notify the Custodian of such debt. Failure to do so may, if the Custodian so orders, forever bar and extinguish the debt.

(11) No person shall bring or take or continue in any Court in Canada any action or other proceeding relating to the payment of an enemy debt unless such person shall have obtained the written consent of the Custodian.

(12) Any person who knowingly or recklessly makes a statement knowing it to be false shall be guilty of an offence under the Regulations.

(13) Where a company, incorporated or unincorporated, or other body of persons, is guilty of an offence or default under the Regulations the company or other body of persons and every director, manager, secretary or other officer, and every partner or member of an unincorporated company or body of persons, who is knowingly a party to the offence or default, shall also be guilty of such offence or default.

(14) Any person who fails to comply with the provisions of the Regulations shall be liable to the penalties prescribed thereby.

(15) Any sums required by the Regulations to be paid to the Custodian unless paid within the time required by such Regulations shall bear interest at the rate of five per cent per annum.

(16) The Secretary of State is appointed Custodian and will administer the Regulations.

The Regulations define the following words, which definitions are here summarised:

"Person" extends to and includes persons and bodies of persons, incorporated (wherever incorporated) and unincorporated, such as firms, clubs, companies and municipal authorities, and, as well, trustees, executors and administrators.

"Enemy" extends to and includes all persons, including British subjects, residing or carrying on business in enemy territory or territory occupied by the enemy, and any person who is treated as an enemy by the Regulations.

"Securities" extends to and includes, stocks, shares, annuities, bonds, debentures, debenture stock or other obligations or rights, registered or in bearer form issued by or on behalf of any government, municipal or other authority, or any corporation or company whether within or without Canada and regardless of the place of registration or the situs of the certificates representing same.

"Dividends, interests or share of profits" is defined in wide terms and includes any such payments whether payable within Canada or not to an enemy.

The above summary must not be considered as constituting the whole of the law respecting trading with the enemy. Further information may be obtained upon application to the Custodian of Enemy Property, Ottawa.

ERNEST LAPOINTE,
Acting Secretary of State and Custodian.

Ottawa, September 11th, 1939.

Another Nazi Dream Dashed

Soviet Far From Being Inexhaustible Raw Material Source For Hitlerites

Has Stalin pulled another double-cross; this time on his gang comrade, Hitler?

For years the myth has been built up that Russia can supply Naziland with a well-nigh inexhaustible supply of the things Hitler's war machine most needs.

Whatever time reveals the aim of Russia's foray into Poland to be, this much now seems evident: Russia can't do much to help Germany in raw materials—unless at great sacrifice to herself, unless for good diplomatic reasons.

Will the Soviet make that sacrifice? "Augur," the famous European correspondent who has been calling the Russian moves with considerable prescience recently thinks that a prime point in the Stalin diplomacy at present is "to see unchained in Europe a general war of long duration whereof Russia would be a witness, at least in the early stages, while the great powers harry and weaken each other so finally that all are prostrate and at the mercy of the Kremlin."

This was the real reason, says Augur for the great doublecross. "Stalin saw that Russia's co-operation with Britain and France would mean the swift destruction of Germany while the power of the western democracies would be enhanced. So he swiftly reversed his whole policy to strengthen Germany's hand, re-establishing the balance between the opposing parties and thus making more certain the long duration of hostilities."

Aside from the politics of pouring raw materials into the Nazi war machine, there are the economic facts to be considered.

Four Obstacles

Four obstacles stand in the way of Germany realizing her dream of Russia providing a large reservoir of man power, foodstuffs, and raw materials, declares a writer in The Economist, (London) analyzing "Nazi needs and Russian resources."

"Visions of Russia as a large reservoir of man power and of foodstuffs and raw materials have long haunted and attracted the German general staffs," the article states. "On a superficial view the Russo-German non-aggression pact has not only neutralized Russia's fighting machine but has opened the door to the treasures coveted by Germany. But this is only the superficial view. The political reactions to the pact in Japan and elsewhere have already shown it to be a doubled-edged sword; and Germany's economic gains through access to Russian resources can easily be exaggerated."

Political

First obstacle to the German dream coming true is political, The Economist states. "The reluctance that Russia, Soviet or not, must always feel to help a militaristic Germany toward the mastership of Europe. This might well rank as a permanent and unchanging interest of Russian policy."

On the other hand, The Economist points out that it might be currently the interest of Russian politicians to supply Germany with just enough material to fight a long and exhausting war provided she were defeated in the end, hence the political obstacle "must not be regarded as entirely insurmountable."

Financial

"The second obstacle is the financial. Russian materials will presumably not be provided as a free gift. A loan is possible but hardly likely. Indeed in the commercial treaty it was Russia, not Germany, that was accorded a credit. The probability is, then, that Germany's purchases from Russia would be limited to what Germany could pay for. She has neither gold nor foreign exchange. Payment would have to be made in goods. Germany has no surplus available for export of the raw materials that Russia needs to buy, so the volume of trade would be limited by the quantity of machinery that a war-laden German industry could provide for export."

In view of the past and present difficulties of German exporters under the present regime, The Economist feels that volume in any case cannot be large.

Transport

The third obstacle is that of transport. "The chief possible means of communication between Germany and Russia are three, the Baltic Sea, which they jointly dominate but which is frozen at the Russian end for part of the year. Moreover Leningrad is a long way from most of the sources of raw materials. Secondly, there is the Black Sea-Danube waterway which can be cut by Roumania, Jugoslavia and Hungary or any nation whose fleet has access to the Black Sea by way of Turkey. Thirdly, there are the railways, the most direct of which cross Poland.

"But even if the Polish obstruction is cleared, the problem is by no means solved. Russia's communications have been developed in the interest of domestic trade, not of exports. The distances from Germany to the chief sources of supply of material are enormous. So far as railway equipment is concerned, the capacity of the lines has not kept pace with the traffic to be carried in spite of the considerable progress that has been made between 1929 and 1937. . . If one tenth of Russia's railway cars in good commission were to be placed at the exclusive disposition of the Germans and each car was loaded once a month (an optimistic estimate in view of the distance) the total annual carrying capacity would be less than Germany's imports of iron ore alone."

The Economist also points out that owing to the difference in gauge, it would be impossible to use German equipment on Russian lines and "this transport difficulty could only be solved by years of extensive work on the Rusian railways.

Reserves Limited

The fourth obstacle is that of the quantities available. Russia has made progress in development of her raw materials, The Economist states, giving the following typical examples.

Millions of Metric Tons

	1929	1938
Coal	41	133
Crude Oil	14½	29
Pig Iron	4.3	15
Crude Steel	4.9	18.2

But despite the enormous growth of Russia's productive capacity, it is important in so far as the Germans are concerned that Russia's exports are comparatively small, and her main economic aim is merely to be self-supporting. In fact Russia has been in the habit of exporting only sufficient to pay for her imports of essential raw materials and capital equipment, The Economist points out.

"Russia is scarcely producing enough foodstuffs for herself and the standard of nutrition of her population is still comparatively low.

"As the chief grain producing areas in Russia are in the south, shipments are made mainly from Odessa, the Black Sea port, and any large scale diversion of exports by land or to the Baltics would therefore impose a very heavy additional strain on the transport system. Apart from wheat and barley, Russia is an exporter of butter, oil seeds and oil cakes...... the assistance that Russia could give would be of minor proportion.

Little to Spare

"So far as industrial raw materials are concerned," The Economist continues, "Russia has at present little to spare except manganese, asbestos oil, timber and a little cotton. She exports only small quantities of iron ore and the deposits are located in regions from which it would be impossible, with present transport facilities, appreciably to relieve Germany's shortage in the event of war... Russia is short of other steel alloys and of most of the non-ferrous metals.

"It is very unlikely that Germany would be able to obtain vast quantities of oil from Russia whose output has not kept pace with her own requirements. Russia has been compelled to curtail exports substantially from about 6 million tons in 1932 to 1,100,000 tons last year. Moreover Russia exports her oil through the Black Sea. Owing to the shortage of railway cars—in addition to the general strain on the railways—it would be quite impossible to send large quantities over land. Despite Germany's efforts to reduce her dependence on foreign oil supplies, her peacetime import requirements are still about 5 million tons a year and would be very much greater in war. In timber, on the other hand, Germany could probably secure her full requirements from Russia through the Baltic Sea.

Trade for Exports

"The extent to which Germany could supplement her raw material resources from Russia is therefore strictly limited. So long as Russia maintains an attitude of strict neutrality, it might be possible for Germany to cover her deficiency in timber and, provided transport is available, in grain, manganese and a few minor commodities. And, since Russia's industrial equipment has been largely supplied by Germany, she would probably be willing to exchange these commodities for machinery and possibly the assistance of industrial experts.

"The position might be different if Russia were anxious to assist Germany actively in event of war, but apart from being compelled to give Germany credit, Russia could only supply Germany on a large scale if she were willing to reduce her own consumption of raw materials and foodstuffs—that is, to increase Germany's war potential at the expense of her own. But, even then, the volume of trade between the two countries would be severely limited by lack of transport facilities. In sum, it would take years of preparation before Russia could make good some of Germany's principal deficiences and it would then be possible only if she would grant large credits to her voracious new friend."

Lumber Exports Seen Continuing

Needed in War Work—British Baltic Supplies Cut Off

From Our Own Correspondent

OTTAWA.—While there may be some temporary confusion in the lumber industry, the advancing price coupled with substantial orders placed by the Canadian Government indicates the importance of lumber for war purposes.

Canada will be the chief source of supply for Great Britain. In a recent study of Britain's lumber requirements during war, published in the London Times, it was pointed out that the inroads made in Britain's forests during the Great War have never been made good.

Sources of supply in the Baltic and Russia will be cut off and imports from Scandinavia will become increasingly difficult, owing to enemy submarine and air activity. Canada will be the source, it is predicted, to which Britain will turn. Arrangement of shipping, however, may be difficult especially in the long haul from Vancouver.

No Union Government In King's War Plans

Believe Such Move Would Prove Disturbing in Quebec

WEAKEN OPPOSITION

From Our Own Correspondent

OTTAWA.—The Government is driving forward swiftly with its war measures, but behind the scenes there is doubt and uncertainty regarding the future.

The King Government has decided, and the Conservative party has agreed, that there shall not be a union government: that Canada will make her war effort for the time being under the party system. There is a kind of pact, publicly arrived at, between Premier King and Dr. Manion, to suspend for the duration the normal political activities, but admittedly, it is much easier to proclaim such a pact than to carry it out.

The difficulties are very great. Indeed most of the veterans believe that public men will have to be made more perfect than hitherto, if such an arrangement is to work effectively.

Would Disturb Quebec

The reason for Mr. King's decision not to seek a union government undoubtedly are based upon his desire to do what is best for the country. In the immediate sense, a union government would alarm Quebec and imperil the hold which Lapointe and Cardin now have upon their compatriots. Conversely, it would strengthen the position of the isolationists. Quebec associates union government with conscription.

Mr. King, it is believed, desires above all to keep the country united. If Quebec will play her part in the war under the voluntary system, he is for giving her the chance. Unity under the voluntary system he regards as more effective than disunity under conscription. And if Quebec once becomes heavily involved in the war, the adoption of conscription might well be possible with French-Canadian consent. At the moment enlistments in Quebec, for active service as distinct for home defense, are excellent and events in Europe are undermining the influence of the isolationists. Russia's attack on Poland will buttress Mr. Lapointe. French Canada has respected Nazi Germany because Hitler was regarded as the enemy of Communism. All that is rapidly changing now.

But of greater weight with Mr. King is the consideration of the political future of this country. In 1917 there were but two parties. After union government the opposition comprised Laurier Liberals. Even so the consequences of the union were apparent in the rise of the Progressive party and out of the Progressive party came the U. F. A. and, at last, the C. C. F.

Merger Would Weaken

If the major parties were to unite now, it is feared that the role of opposition would fall inevitably to the C.C.F., the Social Crediters and the odds and ends of dissenting opinion in the Liberal party. Oppositions, under our system, become the channel through which anti-government opinion finds expression and ultimately oppositions become the governments.

The price of union government, therefore, might well be the death of the Conservative (or the Liberal) party and the turning over of the country to a Government of extreme left wing opinion within a few years. This, it may be said authoritatively, is the general argument against a union of the major parties—an argument which has profoundly affected the minds of the ministers as well as the leaders of the Conservative party.

By retaining the Conservatives in opposition, they and not the "what nots" will grow in strength as the Government declines and they will take over when the change comes. The record proves that wartime governments are very short-lived after the peace.

Conservatives Divided

The difficulties of applying these theories to the rough and tumble world of politics are great. They would be less so, if Dr. Manion had a united party back of him, but the divisions in Conservative ranks since the 1938 convention still persist. Mr. Meighen probably can speak with more authority for his party than can Dr. Manion.

A truce to party strife has been proclaimed and Parliament adjourned under the spell of banish politics oratory. Mr. King is to behave as if his Government were a national government and Dr. Manion is to forget about politics and eschew partisanship and petty criticism. Both organization offices have been closed and the Liberal candidate in Calgary West has been withdrawn. It is understood that all vacancies in existence at the outbreak of war will be filled on the old patronage basis: vacancies occurring after the war declaration will presumably be filled on a non-partisan basis.

Nova Scotia Test

The death of Senator J. S. McLennan of Nova Scotia, a Conservative, will provide a test. Presumably Mr. King will consult with Dr. Manion with regard to the successor, carrying the Calgary West precedent into the Upper House. If he does, there will be plenty of enraged Liberals in Nova Scotia: if he doesn't the Conservatives will wonder if Mr. King's proposition is not, in fact, a "heads I win, tails you lose" one.

As time passes, the tendency in the opposition to oppose and of the Government to defend must inevitably become more marked and the electorate is unlikely to welcome a war on two fronts.

In any event, Dr. Manion cannot answer for the criticism of the Government which will be directed from the nation at large against any weak spots which are apparent in the administration. The rapidity with which loyalist opinion, chiefly Conservative and yet supported also by influential Liberals, concentrated to compel an immediate declaration of war, is an indication of how easily the King-Manion non-aggression pact can be destroyed.

May Have to Yield

Two considerations forbid the view that the present political truce can be lasting. Ultimately the demand for war measures may reach the point where Mr. King cannot yield. The most obvious issue here is conscription.

The other consideration is this: This Parliament dies in January, 1941, by what Sir Charles Tupper called the "effluxion of time." Mr. King has declared his view that the Great War precedent will not be followed; the life of this Parliament will not be extended. If not, the election must come next year. What will the issue be—the conduct of war? Will the country tolerate a general election along these lines?

And if Parliament's life is to be prolonged, a statute passed at Westminster will be needed. Sir Robert Borden only sought such a statute (in 1916) when he had the unanimous support of both houses. Can such unanimity be now obtained?

Automobile Show Early This Year

The National Motor Show will be held this autumn as usual and in the usual place, the Automotive Building at Exhibition Park, Toronto. The only difference outbreak of war has meant is that the date has been advanced to the week commencing October 14, more than a month earlier than last year. This is because the premises will be required after that date for housing soldiers. At first it was thought the building would not be available this year on this account, but by courtesy of the General Officer Commanding Military District No. 2, the holding of the show there has been made possible.

Gen. McNaughton Still In Research

But Ottawa Expects to Use Him in War Work

From Our Own Correspondent

OTTAWA.—Reports that Maj.-General A. G. L. McNaughton has been transferred from the National Research Council to the National Defense Department are stated, here, to be premature. Gen. McNaughton undoubtedly will be back in the Defense department or in the Canadian army within a matter of days, indeed he has done little else but war work since the outbreak of hostilities. But the official transfer has not taken place as yet.

Job Not Clear

What use the Government will make of Maj.-Gen. McNaughton's unquestioned ability is not yet clear. Many people here would favor him for the command of the Canadian army now being enlisted which will be the nucleus of the Canadian expeditionary force. Others, however, contend that this would be a great waste of ability.

Maj.-Gen. McNaughton, during the world war, revolutionized one of the most important phases of artillery action. He devised a highly technical but uncannily accurate system for "spotting" enemy guns. He did this by measuring the speed of the sound, transmitted underground, from two points, thus obtaining a cross bearing which infallibly betrayed the position of the enemy gun.

War Will Crimp Migration Plans

Though Some Immigration Still Expected For Open Countries

From Our Own Correspondent

OTTAWA.—Outbreak of war will put a severe crimp in the plans of Hon. T. A. Crerar, Minister of Mines and Resources, to bring in refugee industries, but will by no means completely stop this movement.

There are many refugees of means in the British Isles, the channel countries and in the United States who desire to come to Canada to found industries. Unfortunately in most cases it will not be possible for them to bring in experts from their home plants in central Europe, but this will not deter many of them from making a new start in this country.

In other respects, the war will reduce immigration to the vanishing point. This was the experience in the last Great War and this war it is [illegible] ted will follow the same pattern.

Does a Young Man Need a Will?

Let us explain the answer.

Crown Trust Company

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Welsh Coal Imports Likely to Continue

From Our Own Correspondent

OTTAWA.—While future trends cannot be discerned, there is no immediate fear that Welsh anthracite coal will not be available to consumers in Ontario and Quebec. This year's supply, it is learned, is assured and the belief is that Britain will maintain exports throughout the war.

By doing so she will provide profitable cargo for westbound ships and accumulate trade balances here to be used in paying for Canadian foodstuffs and munitions. The price, however, is believed certain to go up. Shipping, insurance and other charges have already advanced.

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What the Government Does to Help the Public Get Correct Weight and Measure

THE administration of the Weights and Measures Act is in the hands of the Weights and Measures branch of the Department of Trade and Commerce at Ottawa. This entails the following responsibilities:

1 *To approve all types of devices used for weighing and measuring.*
2 *To see that adjusting mechanisms which "true-up" scales or measures are sealed up after adjustment to prevent any tampering that would render the device false.*
3 *To see that machines are so constructed that the public can observe if the weight or measure is correct.*
4 *By regular inspection to see that machines will weigh or measure accurately.*
5 *To make certain tests to provide against the dishonest use of an accurate machine.*
6 *To reject for repair or adjustment any machine found incorrect.*

Those who would buy or sell honestly are protected as far as is humanly possible. But you must do your part, and your co-operation is asked for your own protection, and also to protect the dealer against unfair competition. Our inspectors cannot continually supervise the thousands of transactions that take place daily throughout Canada. Watch the scales as closely as you would count your change. Weight means money. Get what you pay for.

DEPARTMENT OF TRADE AND COMMERCE

HON. W. D. EULER, M.P., Minister
J. G. PARMELEE, Deputy Minister

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Investment Trends

Canadian Markets Get New Set Of Conditions

Foreign Exchange Regulation Has Effect of Insulating Us from U. S. and Turning Canadian Capital Back to Home Investments

Canadian stock markets now have to learn to operate under a new set of conditions. Financially, this country is to be isolated from the rest of the world. The cause is the new regulations of the Foreign Exchange Control Board and the reason is to conserve Canadian resources and to provide the means of financing Canada's war costs.

It will still be easy for non-resident investors, as for instance those in the United States, to buy Canadian stocks and bonds. In fact, such moves are welcome. But the question of how and when these investors can get their capital back out of the country is another matter. It will be a one-way capital movement, if it continues, for Canadians will not be able to add to their holdings of U. S. stocks.

Last week investors in Canada had the impact of the war brought home to them through the higher corporation and personal income taxes and the excess profits taxes. This week it is the operations of the Foreign Exchange Control Board.

* * *

Reaction Comes

Stock markets in Canada, the United States and Great Britain have declined substantially from the extreme highs reached following the quick recovery with the war news. Such a movement, probably a consolidation of the previous advance, is quite normal. Investors fortunate enough to make purchases at or near the pre-war lows want to assure themselves of some of their large profits. Such has probably been the case this time, accentuated by various rumors.

Canadian stocks that were also listed on the New York market, seemed to suffer more than others in the reaction. Apparently this was the direct result of substantial selling by U. S. investors on the news of the Canadian war budget with its heavier taxes. For the moment the prospects for business and profits appear better in the United States. Some stocks to bear the brunt of this selling included Aluminium Ltd. and the interlisted metal mining stocks.

In London, although movements of stock prices are hardly free in every sense, there has been a decline that took the average to new 1939 lows on Sept. 19, prior to the halt to the decline noted on this continent.

* * *

What Are the Prospects?

Is there much of interest ahead for Canadian investors? There should be. Take the matter of this excess profits tax. It is not going to be too heavy a burden at its present rate. Even on the basis of the graduated scale of payments that go up to 60% of profits over a certain amount, a company earning up to 50% return on invested capital would be able to keep about 30% after paying its taxes, and a 30% return on capital seems high enough to satisfy anyone.

Industrialists everywhere are talking of heavier orders, rising prices and refusal to quote on forward contracts. This is not a sign of depression. Rather it has most of the earmarks of quickened industrial activity. And Canadian industry has not yet begun to feel the impact of orders for war materials that will come both from the Canadian Government and from Great Britain. It is true that tax burdens will be heavy as will the problem of rising prices if the recent trend continues, but there should be enough left to make Canadian stocks very attractive.

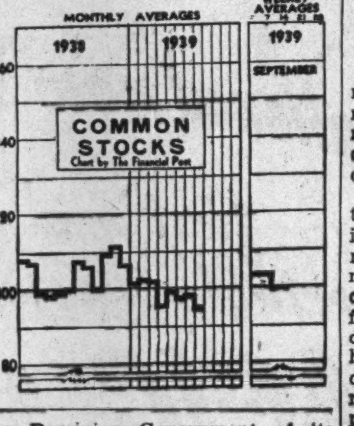
* * *

A Word of Caution

It is probably true that a good many investors have been looking toward the generally heavy crops being harvested in Canada this year for a source of considerable prosperity. But a word of caution seems justified.

It is true that wheat prices, for example, have risen, but the net effect of the rise so far has been to relieve the Dominion Government of its potential $100 millions loss on its price supporting schemes. For the farmer it has meant very little as yet.

These large crops do mean a tremendous amount of new purchasing power. But it may be slower than at first expected in getting into circulation. Much of the western wheat crop will probably be sold on a participation basis whereby final realization will not be known for months. For this fall and winter, the gain in actual buying may disappoint earlier optimistic ideas.



Steel of Canada's Plans Unchanged

From Our Own Correspondent

MONTREAL.—Steel Co. of Canada's plans for the building of a new continuous strip mill in Hamilton are still in abeyance. This move by the company, involving a possible expenditure of $10 millions or more, has been mentioned officially by Ross H. McMaster, president, on several occasions, but the actual decision to go ahead has been held up pending further consideration of a number of important factors involved in the development. Reports have been circulated on different occasions that the final decision had been made but The Financial Post is informed that the situation remains unchanged.

Investment Notes

Cockshutt Plow Co. — Great Britain's efforts to increase domestic production of foodstuffs has resulted in a large order for tractor plows coming to the company, it is reported. Cockshutt has been shipping plows to Great Britain in varying amounts for some time, but it is thought that the latest order is larger than normal.

* * *

Paramount Pictures—War is said by The Annalist, New York, to have brought about a serious situation for all motion picture producing companies. Great Britain accounts for 44% of the total foreign market of U.S. picture producers and already this market has been interrupted by the temporary closing of all the motion picture theatres. It is said that losses are likely for the next three or six months, as all major films produced recently have been on the assumption that the foreign market would supply up to 40% of gross revenues.

* * *

International Petroleum Co. — "The present international situation" is the reason given for the discontinuation of publication of monthly crude petroleum output figures from the properties of International Petroleum and Tropical Oil Co. An official announcement to The Financial Post states that these figures will no longer be made available.

* * *

Canadian Car—Announcement that the Canadian railways would spend $25 millions on new equipment had little effect on the company's stock. In other days such an announcement would have brought the stock into active demand.

* * *

Corporate Investors—This investment trust made few changes in its portfolio in the four months between April 30 and August 31, 1939. Only new stock to appear is Canadian Celanese Ltd., 7% preferred. Additional purchases of Aluminium Ltd. common were made. Approximately 50% of the holdings are in durable or producers' goods, which include construction, equipment, iron, steel and coal, and metals. Of the total, 67% is in common stocks, 28% in preferred stocks and 5% in corporation bonds.

* * *

Canada Steamship Lines—Heavier movement of grain from the head of the lakes and a stiffening of the freight rates should find reflection in income statement of the company for 1939. The rate for wheat from the head of the lakes to St. Lawrence ports has moved up to 6 cents a bushel, as compared with the season's low, touched in July, of 3¾ cents.

Significant Investors' Index Numbers

1926 = 100

No. of Securities	Mach. and equip. 8	Pulp and paper 7	Milling 3	Oils 4	Textiles and clothing 10	Food and allied prod. 12	Beverages 7	Bldg. mater. 15	Power and traction 15	Banks 8	Total utilities 19	Total co's. 95
1929-38:*												
High	432.5	113.4	273.4	423.5	113.5	197.8	204.6	281.1	197.6	131.7	166.0	198.3
Low	39.3	3.0	37.7	87.7	30.8	78.8	33.8	44.3	47.1	63.1	36.9	43.3
1939:												
Jan.	129.4	16.9	79.1	173.5	52.9	172.9	126.9	133.3	57.5	85.2	42.7	102.9
Feb.	129.4	16.4	77.6	175.9	54.3	175.3	130.4	133.6	58.2	85.3	42.9	104.1
Mar.	126.6	15.1	79.8	173.9	57.2	172.5	127.6	132.9	62.0	85.1	44.4	103.7
Apr.	111.1	11.5	71.4	162.9	53.1	169.2	116.9	119.3	58.9	83.7	41.9	96.2
May	112.5	12.0	78.9	170.2	55.0	176.3	120.4	124.6	60.8	84.7	43.2	99.2
June	114.2	12.4	77.4	153.2	56.2	179.2	124.7	128.8	60.8	85.0	43.7	97.0
July	118.0	12.7	75.0	154.0	59.8	182.1	124.8	129.5	59.2	85.0	42.7	97.3
Aug.	108.6	11.1	76.0	147.9	60.1	180.5	117.7	121.6	56.8	84.3	40.9	94.2
Weekly Figures:												
Sept. 7	125.5	15.6	92.7	161.6	64.0	179.4	107.7	135.6	53.5	81.1	41.0	102.3
Sept. 14	132.9	18.5	101.4	166.2	71.3	168.2	105.9	146.1	53.5	78.6	41.1	99.9

*High and low for year from 1929 to 1938 inclusive are based on weekly figures compiled from figures issued by Dominion Bureau of Statistics.

Toronto Stock Exchange Index

	20 Indus.	20 Golds	10 B.M.	15 W.O.
Sept. 19	113.76	102.71	88.34	31.21
Sept. 18	111.28	102.20	85.96	30.79
Sept. 16	113.90	104.46	88.46	31.23
Sept. 15	113.70	103.32	89.87	31.94
Sept. 14	115.08	104.89	90.56	32.78
Sept. 13	117.00	105.45	91.58	30.60
Month ago	104.51	113.71	84.42	24.90
Year ago	100.99	112.46	95.55	28.38
High, 1939	125.82	128.05	104.12	45.00
Low, 1939	97.73	100.23	79.59	21.07

Montreal Stock Exchange Averages

	10 Util.	20 Ind.	30 Cbd.	10 Pprs.	15 Golds
Sept. 19	56.3	81.9	73.4	117.15	89.92
Sept. 18	55.9	78.2	70.6	106.13	89.82
Sept. 16	56.2	80.5	72.4	116.62	88.60
Sept. 15	56.6	81.6	73.3	115.08	90.39
Sept. 14	57.2	82.0	73.7	117.31	93.08
Sept. 13	58.2	84.0	75.4	118.48	93.19
Month ago	63.7	66.5	65.6	58.80	104.18
Year ago	61.3	73.6	69.5	100.13	120.63
High, 1939	70.1	87.2	79.1	122.55	126.48
Low, 1939	55.9	63.3	62.7	80.78	86.60

NEW "POWER" DIRECTORS

Following a meeting of the board of Montreal Light, Heat and Power Cons. announcement was made of the election of Hugh MacKay, K.C. (left), and R. A. C. Henry to the directorate. Mr. MacKay is associated with a large number of Canadian corporations, while Mr. Henry is vice-president of the company.

Market Opinions

Abatement in the pace of stock markets is expected by students of market trends. United States commentators, however, find support for continued confidence in the accelerated pace of industry.

The Annalist, New York—"From the point of view of the investor, it is worth noting that the recent war news has had less effect of creating new fundamental conditions in this country, than of strengthening the forces which should eventually produce a normal recovery. Inventories have been at a low level in many industries, and so that it is not unreasonable that the threat of rising prices and the prospect of an increased volume of business should have a favorable influence upon business settlements in general."

* * *

Barron's, New York (The Trader)—"With new orders reflecting the biggest spurt in a decade, business activity promises in short order to achieve a new peak for 1939, and before many months, to surpass the high water mark of early 1937. Yet the stock market, measured by the industrials, is still four to five points below the high of last November."

* * *

Barron's, New York, (The Dow Theorist)—"Primary and secondary trends are both up under the Dow theory.

"The speed of the advance since the first of this month naturally suggests caution to experienced speculators on the Dow theory. On the other hand, the gains have been concentrated rather than widespread. This is brought out by the relative percentage advance in the industrial and railroad averages.

"Volume slackened off on the small reactions last week, which is a favorable indication."

* * *

Brookmire Counselor, New York—"With dynamic types continuing in the lead, the stock market has given an excellent account of itself for another week. As the advance progresses, the possibility of sudden perhaps sharp, reaction must be considered—especially if, for example, some peace move should come into sight. But the more orderly character of the market represents a healthy aspect.

* * *

Journal of Commerce, New York (Jules I. Bogen)—"The behavior of the market during the past two weeks has clearly shown that direct foreign participation will play a very minor rôle in determining the course of prices....Domestic business conditions, largely influenced indirectly at this time, it is true, by developments abroad, will doubtless continue to shape the course of the stock markets in this country."

Excess Profit Level Varies

(Continued from page 1)

but shall be only that proportion of the said capital which the value of the assets used in Canada bears to the value of the total assets of the company."

The graduated tax under the first provision of the act is as follows:

Earnings on Capital Invested	Tax
Not in excess of 5%	nil
More than 5% but not exceed. 10%	10
Exceed. 10% but not exceed. 15%	20
Exceed. 15% but not exceed. 20%	30
Exceed. 20% but not exceed. 25%	40
Exceeding 25%	60

A hypothetical example will illustrate the workings of the Excess Profits Tax under the first schedule of rates.

Cap. invested .. $1,000,000
1940 earnings .. $50,000 or 5% on capital
No excess profits tax will be paid.
1941 earnings .. $500,000

Earned on Capital	Rate of Tax %	Amt. of Tax $
First 5%	exempt	nil
5% to 10%	10	5,000
10% to 15%	20	10,000
15% to 20%	30	15,000
20% to 25%	40	20,000
Over 25%	60	150,000
Total excess profits tax		200,000

Balance available for shareholders $300,000, or 30% on capital invested.

Alternative Method

As already mentioned there is an alternative method which companies may elect for payment of this tax. Under rate B the tax is as follows:

"50% on the profits in excess of the average annual income of the taxpayer as determined under the Income Tax Act for the four years 1936, 1937, 1938, 1939, or for the four fiscal periods of the taxpayer ending in such years, or for such years or fiscal periods during which the the taxpayers may have been in business, taking into account profits and deficits."

There are some important deductions allowed in calculating profits on which to pay the new tax. Income tax payable under the Income War Tax Act is an allowable deduction. Then, of particular interest to holding companies, is the provision allowing for deduction of dividends received from any company incorporated in Canada. This eliminates some measure of duplication of taxation as the latter companies will have already paid taxation on their profits before declaring dividends.

Finally, depreciation of plant and equipment built or acquired to fulfill orders for war purposes is to be provided by order-in-council. This is to encourage companies to provide any capital assets required to fill Government orders under contract. Without some such concession a company might be reluctant to spend money on new plant to fill such orders which could be cancelled at any time if the war should end before the delivery was completed.

Begins Next Year

The excess profits tax act is to apply "to the profits of the year 1940 and of all periods ending therein after the 31st day of March, 1940, and to all subsequent periods." Thus, it appears that a company reporting for fiscal periods ending up to and including March 31, 1940, will not have to consider the excess profits tax but if the period reported ends on April 1, 1940, or any date thereafter the excess profits tax will apply.

In attempting to estimate which method of paying the tax a company is likely to elect, it is necessary to make a number of assumptions. Generally, it seems that companies which have reported a good average level of profits for the years 1936, 1937, 1938 and 1939 but have a relatively low invested capital, would elect to pay 50% of the excess by which profits for 1940 and later years exceed this four-year average. A company may elect one method next year and change to the other method the following year if it wishes.

On the other hand, a company which has reported low earnings, or even deficits, for the past four years but which has a relatively high invested capital is likely to adopt the first alternative and pay on the graduated scale. It is also quite possible that up to a certain level of profits, one schedule of tax rates may be more acceptable but that above that level the other schedule would be advantageous.

Difficult to Make Estimates

In the examples that follow, which of course can only be considered as approximations because of necessity of estimating 1939 earnings in some cases and in others because of lack of sufficient information regarding certain items in the balance sheet or income accounts as published, companies which apparently would accept both schedules are included.

Canada Packers, with a record of relatively stable and satisfactory earnings, but a comparatively low capital invested on which 5% return requires considerably less than average earnings, would probably elect to pay on rate B. According to calculations made, therefore, shareholders could expect something in the neighborhood of $6.40 a share to be earned before the excess profits tax began to take its slice. Above $6.40 a share, however, 50% would go to the Government.

On the other hand, Massey-Harris Co., with a heavy capitalization and a less satisfactory record of earnings over the past four years, would probably elect to pay on the graduated scale. In this case 5% on invested capital, without allowing for the large deficit in the surplus account, would require around $1.9 million, equivalent to $16.07 a share on the preferred, while estimated average earnings for the past four years would be about $738,000, or $6.10 a share on the preferred.

In the case of Burns & Co., deficits reported last year appear likely to more than offset the small earnings of the previous two years, even allowing for better operations in 1939. Thus, this company would probably elect to pay on the basis of the graduated scale even although it has a comparatively small invested capital following the re-organization of a few years ago.

Indicate Where Tax Begins

In the list of companies that follows, it appears that where estimated 4-year average profits exceed by a substantial amount the estimated 5% exempt return on capital, the graduated schedule of rates would be elected. On the other hand, in cases where estimated 5% return on capital invested is above average earnings, then the rate B schedule would be used.

Based on the calculated per share equivalent of both the average earnings for the four-year period and on 5% return on capital, it is possible for shareholders to get some idea of where the excess profits tax would come into effect on the companies mentioned.

	Est. 4 Yr. Aver. Profits $	Per Sh. $	Est. 5% Return on Cap. $	Equiv. per Sh. $
Can. Pk.	1,280,000	6.40	434,000	2.16
Burns	nil	nil	149,000	*4.42
C. Wire	498,000	*10.50	259,541	*2.45
B. A. Oil	3,480,000	1.25	1,247,000	0.45
Imp. Oil	4,871,000	0.18	6,196,000	0.23
Fd. of C.	3,346,000	2.02	1,796,000	1.08
Dom. Fy	807,000	2.32	235,000	1.43
C. West.	1,107,000	2.00	783,000	1.43
C. G. E.	1,951,000	9.83	968,771	4.62
Stl. of C.	3,255,000	4.52	1,692,000	2.35
D. S.&C.	958,000	†10.92	1,417,000	†1.36
M. - Ha.	738,000	‡6.10	1,943,000	‡16.07
Cockshutt	80,000	0.26	333,000	1.10
C. Cem.	1,037,000	‡5.16	2,430,000	‡12.00
A. Surp.	145,783	0.90	76,826	0.09
C. Canrs	487,060	0.57	703,597	2.14
Can Cot.	224,997	0.20	403,769	10.87
Do. Tex.	1,306,876	4.34	1,476,890	4.97
Loblaw	1,106,628	*1.34	308,074	0.37
Mc-Fr.	1,004,942	0.69	1,722,043	1.63
Union G.	732,514	1.04	853,975	1.21

*Class A. †Class B. ‡Pref.
•A and B.

Pulp and Paper Industry

Price of Newsprint Remains Unchanged

Action Should Result in Greater Stability for Industry

MORE ORDERS?

From Our Own Correspondent

MONTREAL. — The newsprint price schedule will remain unchanged for the next six months at least.

International Paper Co., has announced it will continue the present price of $50 a ton for newsprint until the end of the first quarter of 1940 at least.

No announcement of policy has been made by other manufacturers as yet, but their policy is expected to be in line with that adopted by International Paper. Abitibi Power and Paper Co., Consolidated Paper, Price Bros., St. Lawrence Paper and other Canadian manufacturers are not likely to alter their base price of $50 a ton for the present at least.

United States companies such as Great Northern Paper Co., Maine Seaboard Paper Co., Algonquin Paper Co. and Gould Paper Co. have made no announcement as to their price policy. It is assumed, however, they will make no change from their present price of $48 a ton.

Not a Surprise

Decision to maintain the present price schedule for six months at least does not come as a surprise. It is in line with the recent announcement by Charles Vining, president of the Newsprint Association of Canada, that the manufacturers "will avoid any attempt to profiteer and will make every possible effort to maintain stabilized conditions of continuous supply and to discourage methods of buying and selling which might cause a disorderly market."

At the moment it is impossible to say what the price will be after the end of the first quarter of 1940. This will depend on developments. If costs increase, then the manufacturers may be forced to seek a higher price. However, there is no reason for expecting a sharp rise in costs in the immediate future.

Price Depends on Conditions

As regards the future, International Paper stated in its announcement that the price will be indicated "just as far in advance as possible." The price will be determined "in the light of conditions as they develop, always recognizing that the interests of our customers as well as ourselves demand as large a degree of stability as can be preserved," according to the official statement.

Maintenance of the $50 price under present conditions will without doubt lend stability to the industry. Furthermore, it should help the newsprint industry to win goodwill with its principal customer, the United States publishers.

In the past the price policy of Canadian newsprint manufacturers has been severely criticized by the U. S. publishers. This is especially true of the price advances made in recent years.

Maintenance of the $50 price for newsprint is likely to be appreciated by the publishers. An increase in price in the first quarter of 1940, in the light of present conditions, would not have been without justification, especially as commodity prices are rising. But the present policy will lend greater stability at a time when the U. S. publishers are threatened with loss of European sources of newsprint.

There is, of course, no guarantee that the $50 price can be continued. If costs go up, as they may be expected to do if the war continues for a long period, the price of newsprint may have to be increased.

May Attempt to Stock Up

This situation may result in a rush in orders from U. S. publishers. It will be recalled they stocked up with newsprint in 1937 when faced with the prospect of an increase in price in 1938.

The newsprint concerns, on the other hand, can be expected to discourage, as far as possible, the piling up of stocks by the publishers. The Newsprint Association of Canada has already announced it will oppose methods of buying and selling which might cause a disorderly market.

The results of the 1937 situation are fresh in the minds of the newsprint operators. After operating at a high rate of capacity in 1937 they were forced to curtail operations sharply in 1938. They would like to avoid a repetition of this.

Even if the U. S. publishers do not attempt to build up stocks, an increase in orders can be expected. Publishers who have been obtaining part or all of their requirements from European sources are expected to turn to Canada for their newsprint supply.

While the Scandinavian countries are not involved in the war their ability to ship newsprint to United States has been impaired. The increase in shipping and insurance costs takes away many of the advantages they had in competition with Canadian mills.

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English Papers Anticipate Wants

From Our Own Correspondent

MONTREAL. — English newspaper publishers were either extraordinarily well informed or played a hunch that war conditions might interfere with their supplies of newsprint paper. Last month two Newfoundland mills shipped 39,245 tons "overseas." This was nearly three times as much as in the previous month and is the largest quantity ever shipped in any one month by the Island mills. While "overseas" is a broad term as far as Canadian shipments are concerned, in the case of Newfoundland it means England.

Bowater Plan Not Changed

Expects to Proceed With Extension to Corner Brook Plant

From Our Own Correspondent

MONTREAL.—Despite the outbreak of war in Europe, Bowater's Newfoundland Pulp and Paper Mills plans to proceed with the extension to the sulphite mill at its Corner Brook plant.

According to H. M. S. Lewin, general manager, it is possible the work will be accelerated so that the company will be in a position to manufacture and export pulp considerably earlier than had originally been planned.

Plans call for an increase of 100 tons daily in the capacity of the sulphite plant.

Woods operations of the company may be affected to some extent, though the company has announced it intends to keep its mills and woods operations going to the fullest extent possible.

War News Boosts Use of Newsprint

Key American Cities Report 5% to 15% Gain to Date

From Our Own Correspondent

MONTREAL. — Newsprint consumption in 10 of the principal centres of the United States during the first two weeks of September recorded an increase ranging from 5%-15%, with the average somewhere in the neighborhood of 10%, according to a survey conducted by Editor & Publisher.

In Philadelphia, consumption of newsprint during the first half of this month increased from 10% to 15%.

New York City publishers reported increased consumption of approximately 15%.

Boston Back to Normal

The consumption of newsprint in Boston rose but rapidly tapered off again is now practically back to normal.

Sizeable increases in consumption by Minneapolis newspapers were felt during the last two weeks.

There was little effect on newsprint in St. Louis.

The Dallas, Texas, News' consumption was up 10%.

In San Francisco area metropolitan newspapers increased newsprint consumption was more than 10%.

Los Angeles papers reported consumption up about 7%.

Port Royal Pulp Resumes Work

New Brunswick Newsprint Mills Report Upswing in Orders

From Our Own Correspondent

MONTREAL. — After weeks of idleness, the mill of Port Royal Pulp & Paper Co. has resumed operations. It is now running 24 hours a day, with 225 men on the payroll.

An upswing in orders for pulp and newsprint has resulted in increased activity in all pulp mills in New Brunswick, according to Hon. F. W. Pirie, Minister of Lands and Forests in the New Brunswick Government.

Curtailment of pulp production in Europe transatlantic transportation difficulties and other circumstances arising from the outbreak of war are responsible for the sudden improvement in demand. Business which formerly went to European countries is now being secured by Canadian mills.

Westminster Paper Co. Business Continues Up

Westminster Paper Co., manufacturer of tissues and paper specialties, is reported on its way toward gains in business volume and earnings during the year which will end January 31, 1940. Last year the company earned $1.84 on its common stocks, also a new high in profit. During the current year, it is said, the company has continued its gains. Introduction of a new product in the near future is reported likely to have a bearing on a further increase in business and profits.

U. S. Kraft Paper Prices Advance to $67.50 a Ton

From Our Own Correspondent

MONTREAL.—United States kraft paper manufacturers have advanced the price $2.50 a ton to $67.50 a ton.

It is pointed out that kraft paper has been selling in the United States at discounts ranging almost as high as $6.50 a ton from the official price of $65 a ton. Whether or not the new price will be subject to discounts is not indicated in the report.

Invest in Dominion of Canada Bonds

Canada's war financial policy, as outlined in the recent Budget Address, provides as far as possible for the payment of war expenses from taxation, and for the restriction of borrowing.

This policy is already being reflected in the stabilizing of Bond interest rates in Canada.

Dominion of Canada
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Newsprint Requires License for Export

From Our Own Correspondent

MONTREAL.—Licenses for export will have to be secured by Canadian newsprint manufacturers.

Regulations of the Foreign Exchange Control Board for the purpose of regulating and controlling transactions in foreign exchange permit exports of goods only under license. As far as the newsprint industry is concerned this is regarded as little more than a formality.

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CERTIFIED GENERAL ACCOUNTANT thirteen years in manufacturing, wholesale and retail trade, qualified and able to take charge of office routine, seeks position with larger organization in Eastern Canada that will, as applicant qualifies, lead to advancement and responsibility. Future prospects more important than immediate increased remuneration. Excellent references from present employer and well-known business men. Box 186, The Financial Post, Toronto.

Manager Wants Position

EXPERIENCED IN SUPERVISING gentleman's estate including farm operations, breeding and recording live stock, building and other construction work, care of lawns and gardens, used to machinery. Hydro, etc. Good general experience, used to carrying heavy responsibility. Canadian, aged 45, married, non smoker, non drinker, want steady position, describe your proposition and salary in first letter. Address Box 184, The Financial Post, Toronto, Ont.

Position Wanted

OLD COUNTRYMAN, IN FORTIES, wishes post as private secretary and for accountant. Long experience in various types of business. Apply Box 190, The Financial Post, Toronto.

Dominion Utilities Plans to Issue Bonds

From Our Own Correspondent

MONTREAL.—The Nova Scotia Board of Public Utilities has approved the application of Dominion Utilities Ltd. for a proposed $300,000 issue of 5% first mortgage 30-year bonds.

Proceeds of the issue are to be used, to the extent possible, to pay amounts owing to Eastern Light and Power Co., the parent concern. These amounts are $249,599 paid to the Dominion Coal Co. in 1937 for purchase of the company's physical assets and $116,877 of advances for extensions, additions and improvements.

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Bond Markets

Trading In High Grades At Virtual Standstill

Activity Dries Up as Foreign Exchange Control Board Goes Into Operation—Corporation Issues Irregular

A thin trickle of trading in high-grade securities almost completely dried up during the week with the launching of a Foreign Exchange Control Board.

In an effort to conserve Canadian capital the Government has shut off U. S. markets from Canadian investors and has locked up American investments in Canada until further notice, while permitting them to be "serviced" in respect to interest and dividends. This is bound to have a far-reaching effect on Canadian markets.

Bond dealers were busily engaged ironing out misunderstandings on the provisions of the arrangements, and met with Bank of Canada officials in an effort to bring the present machinery into working order as soon as possible. Dealers have not yet been able to assess the potential effect of the Government's action, but the immediate result has been to firm prices for high-grade obligations.

Decline Checked

There were evidences in recent days that the decline of Government bond prices had been at least temporarily checked. The exchange restrictions strengthened this support.

The Dominion Bureau of Statistics index of Dominion of Canada long-term bonds, reached a five-year low of 107.9 on Sept. 13, but subsequently rallied. The weekly index fell from 110.1 for the week ended Sept. 7, to 108.5 in the week ended Sept. 14.

Some buying occurred at these levels, as buyers deemed that at prevailing prices there were bargains for purchase.

Corporation bonds moved irregularly and in many cases quite violently. There was in many cases reactions from substantial rises of the previous two weeks, and investors appeared a little more dubious about the prospects for the more speculative issues.

* * *

Long Term Price Trend

After reaching high levels for the century in the past summer, high grade bonds are now down to five-year low points. The effects of war have been sudden and drastic.

The prices of bonds have turned sharply downward; yields sharply upward. How long will this trend continue? How long will the factors prevail that make for more expensive money?

Col. Leonard P. Ayres, vice-president of the Cleveland Trust Co. states in a recent bulletin that in the past bond trends have persisted for as long as 30 years. Trends have reversed because competing forms of investment have offered advantages, or the prices of bonds became so high and yields so small that investors preferred to hold liquid funds idle than accept such low yields.

"Now that war has begun investment sentiment has turned to the idea that stocks may continue to advance in price and to pay greater dividends, and that commercial loans may increase in volume," Col. Ayres states. "Such influences have turned the long-term trend of high-grade bond prices downward. Nevertheless conservative individual and institutional investors may be well advised to retain their high-grade bonds since the only alternatives are more speculative. However, at present the public clearly favors these more speculative alternatives."

* * *

"Specialized Inflation"

While these sentiments prevail, prices of lower grade bonds will advance and highest grades decline, Col. Ayres says.

"We are in the process of undoing a specialized form of inflation which has dominated bond markets. Banks will most surely have to forego important book profits which had accrued on their holdings of Government securities, but while they will regret that development it will not disturb them. We are now leaving an era dominated by managed economics, and entering one controlled by the more potent influences of war."

* * *

War Financing

Elsewhere in The Financial Post (page 20) the methods used to finance the last Great War are discussed. Predicting methods by which the Dominion Government will finance the present war, McLeod, Young, Weir and Co., says:

"The Great War of 1914-18 was almost entirely financed by long-term borrowings. It is felt that such will not be the case in this present war. It is our belief that this war will be financed in three ways: First, through taxation; second, a certain amount of inflation through the media of treasury bills and expansion of currency; third, Government loans."

The recent war budget of the Government has given an indication that Canadians will be taxed heavily, bearing out substantially this organization's opinion that taxation will be the first recourse.

* * *

Colombia Bonds

Opening the regular session of Congress, the president of Columbia stated that restrictive measures in regard to international trade would be eased. He suggested that it was possible to adapt the country's commercial policy to "the process of compensations and quotas practised by other nations."

Referring to the nation's public debt as one of its outstanding problems, the president stated:

> "The Government of Columbia has wished to renew the services on its foreign obligations on a basis of its effective economic and fiscal capacity....the Government will soon have occasion to submit for your study the terms of a readjustment of the foreign loans which now are being discussed with the Foreign Bondholders' Protective Committee of the United States."

The Government has expressed its willingness to pay this debt and Columbia has recovered from depression, which paves the way for a settlement with bondholders.

* * *

Bond Index

DOMINION OF CANADA
Long-term Bond Index

	Latest week Sept. 8-14	Preceding week Sept. 1-7	Weekly average year ago
Price	108.5	110.1	116.7
Yield	78.2	74.3	64.0

Ontario Relief Continues To Show Unfavorable Trend

Expenditures on unemployment relief in Ontario continued during July to mirror less satisfactory conditions of business. For this month, relief expenditures were up 4.3% from those of the same month in 1938, according to the Ontario Department of Municipal Affairs, based on relief statistics of 40 municipalities in the province. The municipalities account for approximately 85% of relief expenditures, made in the province, and therefore are regarded as an accurate barometer of relief conditions in the entire province.

Expenditures increased by $483,917, or 4.3%, and population on relief in these municipalities increased 2.5% during July, compared with the same month in 1938.

Following is a tabulation of relief expenditures in the 40 Ontario municipalities:

Ontario Relief Expenditures
Seven Months Ended July 31

	Total Expend. $	%
Decrease: †		
New Toronto	63,474	17.7
Ottawa	751,714	14.0
Sandwich East	38,107	13.7
Sandwich West	26,858	12.8
Windsor	764,065	10.2
Sturgeon Falls	98,763	8.8
St. Thomas	43,225	8.0
Penetanguishene	38,572	4.6
Guelph	91,891	4.4
Midland	80,327	1.7
York Twp.	770,411	1.2
Scarborough	215,137	0.8
York North	103,414	0.8
Increase: †		
Toronto	4,351,639	0.2
Long Branch	49,439	0.7
York East	346,272	1.2
Trenton	69,320	3.6
London	318,072	4.0
Brantford	269,056	4.0
Toronto Twp.	51,690	4.4
Etobicoke	101,481	5.2
Mimico	62,293	5.9
Kitchener	103,547	6.4
Stamford	89,578	6.6
Oshawa	176,689	7.2
Eastview	60,842	8.7
St. Catharines	198,304	8.7
Welland	61,377	12.3
Niagara Falls	187,978	12.4
Stratford	88,488	14.5
Rockland	42,338	25.1
Peterborough	93,172	26.3
Kingston	88,411	27.8
Hawkesbury	88,131	33.2
Hamilton	1,036,004	37.6
North Bay	79,863	67.4
Port Arthur	159,945	67.9
Sault Ste. Marie	120,045	88.9
Fort William	129,205	99.3
Sudbury	102,150	109.8
	11,618,310	*4.3

*Indicates increase.
†Compared with seven months of 1938.

Population on Relief

	—July— 1939 %	—July— 1938 %	†Incr. or Decr. %
Sturgeon Falls	44.9	49.1	*15.3
Rockland	40.4	33.4	20.6
Hawkesbury	23.8	18.0	35.5
Midland	19.0	18.5	2.5
Stamford	16.0	15.3	*7.2
Oshawa	15.1	13.7	9.2
Eastview	14.9	12.8	15.9
Trenton	14.9	15.5	1.4
Penetanguishene	14.6	11.7	24.6
Long Branch	14.3	15.0	*2.0
York Twp.	14.1	15.0	*5.4
Sandwich West	13.2	16.3	*11.7
Scarborough	13.1	13.5	*2.3
York East	12.8	12.5	2.5
Niagara Falls	12.4	12.9	*3.5
Mimico	12.0	12.0	.5
Windsor	11.7	11.9	*.9
Brantford	11.2	11.1	.5
New Toronto	11.1	14.6	*24.0
Sandwich East	10.1	12.6	8.3
Toronto	9.8	9.8	*.2
North Bay	9.6	5.2	84.0
Hamilton	9.5	7.8	21.9
St. Catharines	9.5	9.5	1.6
Etobicoke	8.3	7.1	17.6
Welland	7.9	8.8	*9.3
York North	7.8	9.4	*12.9
Ottawa	7.8	8.0	*1.2
Kingston	6.4	4.1	51.1
Stratford	6.4	5.6	11.3
Guelph	6.2	6.3	*1.3
Sault Ste. Marie	6.1	4.1	33.8
Peterborough	5.5	6.6	*14.5
London	5.3	5.6	*4.7
Port Arthur	5.2	4.2	27.6
Fort William	4.8	3.6	34.5
Toronto Twp.	4.6	4.2	17.1
Kitchener	4.2	4.7	*9.7
Sudbury	3.6	2.1	70.2
St. Thomas	3.0	4.4	*32.9
	9.5	9.3	2.5

*Indicates decrease.
†In numbers of persons on relief July, 1939, from July, 1938.

Quebec Ratifies Plan Dominion Square Corp.

From Our Own Correspondent

MONTREAL. — Dominion Square Corp., has been granted supplementary letters patent by the Quebec Government ratifying a reduction in capital as approved by the shareholders.

The plan provides that the capital of the company will be reduced from $1 million of 7% cumulative preferred stock, and 50,000 no par value common shares, to 46,900 no par value common shares with a paid-up value of $703,500.

Ham. Bridge Business Gains

New General Manager and Executive Committee Appointed

Hamilton Bridge Co. has notified shareholders that new shares which are to be given in exchange for old common and preferred stocks are now ready for delivery. The Royal Trust Co., Toronto and Montreal, is handling the exchange.

The new common shares are listed on the Toronto and Montreal exchanges with the Royal Trust Co. acting as transfer agent and registrar in both cities.

Holders of each old preferred share get 10 new common shares while one new common share is being given for each four old common. As a result of the reorganization, the company's capital is being reduced by $1.6 million.

No decision has yet been reached with regard to the disposition of the $400,000 bond issue authorized by shareholders last spring, according to F. W. Grant, chairman of the board. Directors are hopeful that "if business generally, continues to improve, it may not be necessary to make any bond issue."

Operations Improving

Regarding current operations, Mr. Grant has the following to say:

"While from January to May the volume of business was exceedingly low, it is encouraging to know that from May to September there has been a decided improvement in the volume of structural steel business in Canada of which your company has received its share. Two substantial contracts at Kingston and Toronto besides a number of smaller contracts have been very welcome and will keep the plant fairly well engaged for some months to come." No prediction is made as to the possible effect of war on the company's business.

C. Clarke Wales has been appointed general manager of the company. Mr. Wales has recently been assistant general manager of Algoma Steel Corp. and previous to that had spent a number of years with the Otis Steel Co., Cleveland.

Mr. Wales succeeds W. B. Champ as general manager. Mr. Champ, who has been with Hamilton Bridge for 49 years, remains with the company as president, a position he has held in addition to that of managing director.

An executive committee, as authorized by shareholders last spring, has also been appointed, consisting of G. R. Cottrelle, W. I. S. Hendrie, F. M. Ross, J. V. Young and F. W. Grant as chairman.

Com. Alcohols Report Upswing

Magnesia Division Secures Big Increase in Business

From Our Own Correspondent

MONTREAL.—Commercial Alcohols Ltd. magnesia division is reported to be swamped with orders. This results from the fact that Britain, which has been supplying about 40% of Canada's magnesia board, etc., requirements, is now out of the market and this leaves practically the entire domestic market on Commercial Alcohols.

In regard to prices, the company has taken care of all current commitments to jobbers on the previously established basis, but the trade has been notified that in view of the increased freight and insurance rates on incoming shipments of raw materials, it has become necessary to raise prices by about 20%.

Montreal Curb Market has called for trading an additional 1,410 shares of the company's common stock. These shares were issued under the company's employees' stock subscription scheme and bring the total number outstanding to 181,950.

Francis P. Dawson Elected Director of Canada Trust

Francis P. Dawson, K.C., of LeSueur, Dawson & Nethery, barristers, Sarnia, Ont., has joined the board of the Crown Trust Co. Mr. Dawson is a director of Holmes Foundry Co. and of John Goodison Thresher Co.

Bond Redemptions

Bond Issues:	Rate	Year	Due	Price
Robt. Simpson	*5%	1952	Jan. 1 '40	105
Wood, A. & J.	‡6%	1944	Oct. 4	103
St. Mary's Can. Cement	†3%	1940	Nov. 1	101

* All outstanding balance. For sinking fund purposes. ‡$26,000 †$750,000.

For Sale
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Montreal Curb Market

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TORONTO OTTAWA QUEBEC
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27

Middle West. Utilities Would Retire Preferred

Middle West Utilities Co. of Canada, Ltd., is applying to the Securities and Exchange Commission, Washington, for permission to acquire 7,400 shares of its outstanding $100 par value, $7 accumulative preference stock for retirement. The stock would be acquired from the Middle West Corp. at $80 a share.

Middle West Utilities Co of Canada controls Great Lakes Power Co. The latter company recently repaid loans from Middle West Utilities through sale to the public of $2 millions of 5% general mortgage bonds. It is presumed that this financing would provide part of the $5.9 millions required to retire the parent company's preference stock.

Fleet Aircraft Ltd. Financing Complete

From Our Own Correspondent

MONTREAL.—Sale of the 100,000 shares of Fleet Aircraft Ltd. offered to shareholders and the public has been completed.

Early in July a total of 90,289 shares were offered to shareholders for subscription and 9,711 shares were subscribed for by Nesbitt, Thomson & Co. In addition, Nesbitt, Thomson & Co. underwrote shares not taken by shareholders. Upon expiration of the offer to shareholders only 25,918 shares had been taken up. A public offering of 74,082 shares was then made by Nesbitt, Thomson & Co.

The new shares have all been issued and called for trading on the Montreal Curb Market.

Bond Sales

Farnham

Tenders for a $20,000 bond issue of the town of Farnham have been refused because the Municipal Council believes the bids were too low. The bid prices and names of those putting in tenders have not been disclosed.

The Municipal Council is seeking authority from the Quebec Municipal Commission to dispose of the issue by over-the-counter sales.

* * *

Dominion Treasury Bills

The Bank of Canada has announced on behalf of the Minister of Finance, sale of $25 millions of treasury bills, dated Sept. 15, and maturing Dec. 15.

Yield on the bills jumped to 0.846%, highest reached since sale of $20 millions on May 15, 1936, when the yield was 0.896%. Low yield of 0.465% was touched June 15, 1938.

The Sept. 15 issue was sold at an average discount price of 99.78945, and average yield was 0.846%. This compares with 99.82995 and a yield of 0.683 on the previous issue.

B. C. Telephone Plans Building Aerial Cable

From Our Own Correspondent

MONTREAL. — British Columbia Telephone Co. has deposited plans with the Minister of Public Works at Ottawa for the construction of an aerial telephone cable to be placed across the Columbia River at Trail. After the expiration of the usual notice of one month the company will apply for authority to go ahead with the work.

FOREIGN EXCHANGE CONTROL BOARD

IMPORTANT NOTICE

As announced by the Minister of Finance, a Foreign Exchange Control Board has been established by Order in Council under authority of the War Measures Act.

The following are the main provisions of the Order:

1. Any resident of Canada having in his possession, ownership or control, any foreign exchange, bills of exchange, or any other forms of foreign exchange, having a total value of more than $1,000., must declare such foreign exchange to the Board forthwith. Forms for this purpose can be obtained from authorized dealers, that is, from Canadian branches of chartered banks. Any foreign exchange acquired subsequently is to be sold to an authorized dealer.

2. In addition, any resident of Canada having in his possession, ownership or control any bonds, debentures and similar securities not payable exclusively in Canadian dollars, and shares in a Company whose head office is outside Canada, having a total value of more than $1,000., must declare them to the Board forthwith. Forms for this purpose may also be obtained from any authorized dealer.

3. No person shall buy or sell or deal in foreign exchange except through the medium of authorized dealers at rates to be announced by the Board, or through the Post Office which has been appointed a special agent of the Board to sell foreign exchange for small amounts.

4. No resident may transfer any Canadian dollars to a non-resident, in excess of $100. in any month, without first obtaining a permit to do so through an authorized dealer.

5. No exports or imports of any kind, including shipments of currency, securities and foreign exchange by mail or parcel post, may be made without a licence. Licences for the export of goods and for the import of goods, currency, and securities will be issued by Customs officers. The Board is under no obligation, however, to sell foreign exchange for payment for property imported. Licences for the export of currency, securities and any other property except goods, may be issued only by authorized dealers. Articles to be sent out of Canada through the mails should be taken direct to a post office; otherwise they will be subject to seizure in the absence of evidence that a licence has been obtained or that the shipment is exempt from licence, as the case may be.

6 Special provision has been made to avoid inconvenience to visitors from the United States or abroad. They may bring into or take out of Canada, without licence, their automobiles, personal effects, and in addition, other goods to a value not exceeding $100. in any month. They may also take out of Canada any amount of money not greater than the amount brought in, provided that, if the amount to be taken out is more than $100., they should have obtained a certificate of the amount brought in from the Collector of Customs at the point of entry.

7. Provision has also been made for ordinary transactions of the Canadian public, e.g.

(a) Travellers may take out of or bring back to Canada their automobiles, personal effects, and in addition money not in excess of $100. in any month without licence.
(b) Any person may import, in any manner, goods to a value not exceeding $100. in any month without licence.
(c) Any person may, without licence, export by mail or parcel post gifts up to a value of $25. in any month.
(d) Any person may purchase, through an authorized dealer or the post office, foreign exchange not exceeding $100. in any month without a permit.

SPECIAL NOTICE TO EXPORTERS

1. Under the Order no person shall export any goods or other property from Canada except under and in accordance with the terms of a licence granted by the Board.

2. Licences for Export of Goods have been established as follows:

(a) General Licence: An exporter of goods doing a regular export business of such nature that it would be difficult to obtain a Particular Licence in advance of each export may apply direct to the Foreign Exchange Control Board, Ottawa, for a General Licence on Form A.
(b) Declaration of Goods Exported under General Licence: Form B, must be completed by the exporter after each export of goods under a General Licence, and submitted to a Collector of Customs and Excise.
(c) Particular Licence: Any exporter not holding a General Licence must, in respect of each exportation of goods, apply for a Particular Licence in Form B through a Collector of Customs and submit it to the Collector of Customs at the port of export.

3. Where no foreign exchange is to be received for an export, the exporter must, whether holding a General Licence or not, obtain a permit on Form D, through an authorized dealer in advance of exportation.

4. Licences for Export of Property other than Goods: Any person desiring to export currency, securities or other evidences of ownership or indebtedness must apply for a licence on Form K in advance of export, except in the case of the export of foreign exchange or Canadian currency for travel purposes when Form H must be used. In both cases the application must be made through an authorized dealer.

5. No licence or permit is required for the following exports:

(a) Goods or other property accepted for export by a transportation agency prior to the date on which the Order came into force.
(b) Travellers' samples.
(c) Goods taken out of Canada by and with a non-resident to a value not exceeding $100. in any month.
(d) Personal effects belonging to and required by any person leaving Canada.
(e) Gifts to a value not exceeding $25. sent from Canada by mail or parcel post by any person in any calendar month.
(f) Canadian currency and foreign exchange not exceeding $100. by any person in any calendar month.
(g) Any non-resident may take with him on leaving Canada Canadian currency or foreign exchange not exceeding the amount brought into Canada by such non-resident when entering Canada.

6. Disposal of Foreign Exchange: It is a condition of every licence to export that the proceeds in foreign exchange shall be declared and offered for sale to the Board through an authorized dealer as soon as it is obtained; for which purpose Form C must be used.

7. Exports by Mail or Parcel Post: Licences and permits are required for exports by mail or parcel post. In the case of exports of goods, application for a licence in Form B must be submitted to the Postmaster at the time of mailing. In the case of other property, a licence in Form K must be obtained in advance from an authorized dealer and surrendered to the Postmaster. A permit in Form D must also be obtained in advance in the circumstances mentioned in Paragraph 3 above.

8. Exports to Newfoundland: All the requirements mentioned above apply except that in the case of an exportation of goods to Newfoundland from which no foreign exchange is to be received no permit on Form D is necessary.

9. The forms referred to herein may be obtained from the Board in Ottawa, or as follows:
Forms A and B—from Collectors of Customs and Excise or authorized dealers.
Forms C, D, H, and K—from authorized dealers.

SPECIAL NOTICE TO IMPORTERS

1. Under the Order, no person shall import any goods, securities, or other property into Canada, except under and in accordance with the terms of a licence granted by the Board.

2. Licence to Import: Applications for licences to import goods or other property must be made on Form E through the Collector of Customs and Excise at the port of entry, except in the case of a non-resident bringing into Canada Canadian Currency or foreign exchange when Form P must be used. This applies to imports by mail or parcel post as well as to imports made by other means.

3. An importer desiring foreign exchange to pay for imports must apply for the same on Form F through his authorized dealer.

If payment for an import is to be made in Canadian dollars the importer must make an application on Form G through his authorized dealer for permission to do so.

4. No licence or permit is required for the following imports:

(a) Goods or other property which has been shipped to Canada from the country of export prior to the date on which this Order came into force.
(b) Travellers' samples.
(c) Goods not exceeding a value of $100. by any person in any month.
(d) Personal effects belonging to and required for the use of any person entering Canada when brought in by and with such person.
(e) Canadian currency and foreign exchange not exceeding $100. brought in by any person in any month.

5. Imports from Newfoundland: All the above requirements and exemptions apply, except that no permit on Form G is required in the case of payment for imports from Newfoundland in Canadian dollars.

6. The various forms may be obtained from the Board in Ottawa, or as follows:
Form E—from Collectors of Customs and authorized dealers.
Forms F and G—from authorized dealers.
Form P—from Collectors of Customs.

Anyone breaking the law as established by the Foreign Exchange Control Order will be subject to heavy penalties by way of fine or imprisonment.

Anyone likely to be affected by this Order should read the provisions of the Order itself and the Regulations of the Board. Further information may be obtained from chartered banks or customs officers, or enquiries may be directed to the General Secretary of the Foreign Exchange Control Board, Ottawa, or to the Bank of Canada, Ottawa.

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TORONTO, SEPTEMBER 23, 1939

The Financial Post Editorial Platform for Canada

The duty of political leaders is to lead; to give direction to public opinion; to act with courage in matters of public policy; to combat inertia in the conduct of the nation's business.

The Financial Post stands for LEADERSHIP of this kind in Canada.

Such leadership is essential to preserve our free and democratic institutions. It is urgently needed, now, in Canada, in order to:

1. *Eliminate waste from public business.*
2. *Put idle resources of man power and materials to work.*
3. *Promote migration of European industries to Canada.*
4. *Promote a spirit of national unity in place of conflicting sectional loyalties.*
5. *Put Canada's defense programme under competent direction.*
6. *Modernize our railway services on a sound, profitable basis.*
7. *Maintain financial integrity in meeting public and private obligations.*

Keep the Wheels Turning

SWITCHING Canadian business from a peace-to-war basis requires many adjustments. The speed and ease with which these can be made is a vital test of Canada's war effort.

Equally important is the need for carrying on the ordinary business of the country as far as humanly possible.

Twenty-five years ago it took a year to get the wheels of war turning. Today no lag of any considerable proportions need be anticipated. All forms of business are more prepared to stand the shock of war. The impetus of improved prices and wartime demand should very quickly offset the lag caused by dislocation of ordinary trade.

Of course every individual and every business must be prepared to meet this emergency. But hasty, ill-considered action which throws unnecessary and unjustified confusion into the economic machine is to be deplored.

* * *

The time may come all to soon when individual luxuries will need to be curtailed. Wartime demands may also necessitate personal sacrifice and countless private and business readjustments.

For most people that time has not yet come.

Where peacetime expenditures, peacetime work, cannot as yet be replaced by an alternative war job, the sensible thing to do is "carry on." The person who cancels or defers a well-planned advertising campaign, who stops his wife using cosmetics, or fires his chauffeur, may be as unpatriotic at this particular time as the person who hoards 100-lb. bags of sugar and flour. Such action may be as short-sighted as it is unnecessary.

The closing of export markets, enlistment of men for active service, changed conditions of demand and supply, are in themselves a serious threat to normal business activity. Most Canadians can best do their bit in the next month or two by hewing as closely as possible to the "business as usual" line. The wise decision of the Canadian Automobile Chamber of Commerce to proceed with its National Motor Show is a case in point.

Very shortly it will probably be found that adjustments now under consideration are not required to be made.

Traitorous Stalin

RUSSIA'S sudden march on Poland should be convincing evidence of the duplicity and malevolence of Stalin and his ghoulish Communist machine.

For years Bolshevik ideology has been presented in an atmosphere of sweetness and light by certain university professors, so-called "liberal" newspapers such as The Toronto Daily Star and various parlor-pink intelligentsia. Latterly an attempt has been made to argue that Communism was really marching side-by-side with democracy and that both should present a united front against the common enemy of dictatorship.

It now seems very clear that Stalin and his Communist wrecking crews are attempting to do in Europe what they have recently tried to do in the field of labor on this continent.

Only a few weeks ago a remarkable article appeared in an American magazine in which the tragedy and bloodshed which Communist wreckers had left in their wake in the field of American labor was exposed. Scores of examples were cited to show the "malignity of the confusion," which Communism introduces "into every organization it would rule or ruin." The sorry story of how the American Communist Party as a direct agency of the Stalin dictatorship had undermined and attempted to wreck not only the C.I.O. but, through its enormous bureaucracy, scores of so-called "nonpartisan" organizations such as the American Youth Congress, the League for Peace and Democracy, was unfolded. Through its two principal techniques of "organized confusion and organized terrorism" the disciples of Stalin are shown to have carried on their termite activities with a totalitarian discipline "characteristic of all Fascist movements."

Fortunately the threat to American labor had been arrested in time. In Canada the courageous stand of Premier Hepburn halted the onslaught before little or any real progress was made.

Now Europe and the world is being treated to outward evidence of the manner in which Stalin and his termites work. The real and nefarious objectives of Russian foreign policy are being revealed in stark nudity. Having double-crossed the democracies they are now showing their utter disregard for even that agreement by an onslaught into Poland. Friend and foe alike are seen to be the merest dupes in the hands of Stalin and his fellow-gangsters.

For years, The Financial Post has fought—often with little or no support—this Red menace as its doctrines were presented in Canada by Communist agents posing as "reformers." It is now being revealed in its true and traitorous colors.

Hitler's Lost Campaign

HITLER has lost his first campaign, says an American observer. His ingeniously planned war of nerves has failed to break the will of the democracies.

The very tactics of shock and surprise which were supposed to frighten England and France into capitulation have had the opposite effect. Both these countries have entered the struggle with their purpose clarified and their resolution strengthened by the threats and terrorism of the Nazi propaganda machine.

Even the giant bomb of the "campaign"—the Russo-German pact—failed to shake democratic strength and resolution. In fact, once the immediate element of surprise had disappeared the original psychological triumph was reversed and the benefits to the Allies quickly recognized and used to advantage.

The final test of the democracies must come on the battlefields. But it is encouraging that we have come through the war of nerves with flying colors.

Relief Administration

FOLLOWING an investigation of relief administration revealing flagrant abuses in Ottawa last year, the London, Ont., City Council requested the Ontario Department of Public Welfare to make a thorough investigation of relief administration in that city.

The London report, published recently, reflects great credit on that city.

Though a number of administrative changes and improvements have been suggested, the provincial inspectors were high in their praise of Welfare Administrator G. F. W. McKay. They expressed confidence in his management of London's relief problem and appreciation of the calibre of his staff. Particular mention was made of the "open-minded approach" to the relief problem on the part of both the city council and Mr. McKay.

The importance of such an approach in "raising the standards of municipal relief administration" was stressed, as was the benefit to a community and to taxpayers when municipal authorities were prepared (as in London) to examine their problem " without prejudice or intent to excuse an existing state of affairs on the mere grounds of its existence."

Incidentally, as a result of the Ottawa survey and the changes effected in relief administration in that city some months ago, relief expenditures were cut 15.8% during the first six months of 1939 as compared with the same period a year ago. This is the best showing of any Ontario municipality in that period. It means a direct cash saving of $123,000. It was made during a period when relief expenditures in the province as a whole rose nearly 6%.

Behind the constitutional and financial complexities of relief and welfare problems one fact is clear, namely that relief administration has become a permanent and major responsibility of every community. In London, for example, nearly $800,000 was spent by the city's welfare department last year, of which over 60% was spent for direct relief.

There is reasonable assurance that these monies are being spent wisely and prudently when able administrators and public-spirited councillors such as are found in London are willing and eager to work co-operatively with an efficient provincial administration.

Loose Accusations

THAT self-righteous newspaper, the Saint John Telegraph - Journal - Times-Globe, extracts the greatest enjoyment from misrepresenting the position of other people. It did it earlier in the year when there was a bill before Parliament intended to give this country the right to declare war independently of Great Britain. Anyone who supported such a bill was openly advocating severance of Canada from Great Britain; was urging dismemberment of the British Empire, was un-Canadian and un-British. So the Saint John paper averred.

The author of that bill was J. T. Thorson, K.C., M.P., a veteran of His Majesty's Forces. No one could accuse Mr. Thorson of being un-British or un-Canadian or of advocating dismemberment of the Empire. His address last week in Parliament on Canada's position in this war was a classic expression of the essential unity of purpose of the British nations. The existence of Britain was involved in this struggle, Mr. Thorson said. That was a matter of vital concern to Canada. Again, he said:

> "The vital interests of Canada in this life and death struggle in which Great Britain is now engaged are bound up inextricably with those of Great Britain. . . . We in Canada, with the full knowledge of what faces us, have made our choice. We have made that choice as a free nation. We must not fail in the task that we have undertaken."

As a matter of fact what Mr. Thorson suggested in his bill presented to Parliament was actually achieved in large measure. Constitutionalists will have to argue out the question of whether or not Canada was at war the day Britain declared war. The Financial Post (which had in fact opposed the Thorson bill as undesirable at a time of world crisis) took for granted that this was the case. But it is nevertheless true that Canada declared war separately from Great Britain. No great cracks appeared in the Imperial structure. The Empire stands as united as ever. Canada's support of the Motherland will be no less impressive for that reason.

There are too many people ready to fling charges of "traitorous disloyalty" at other people. The erstwhile Deputy Minister of National Defense was one such person. The Saint John newspaper monopolists, with their many-titled organ, have the same habit.

No one can read in Mr. Thorson's speech of last week that he is any less loyal to Canada and the Empire than the Saint John paper which has so fulsomely supported the awarding of munitions contracts to party friends of the former Minister of National Defense.

The Same Old Songs

THE old war songs are coming out again. There are some additions. "Heigh-ho! Heigh-ho! It's off to war we go!" is a new favorite.

One song will be sung by both the British and German people—with different words. "Pack Up Your Troubles" is the same tune (with the exception of one bar near the end) as "The Blue Dragoon" which is sung all over Germany by marching soldiers and by civilian groups with time to pass.

Whether the Germans or the British started the song we cannot say. We are open to receive any authoritative information on the subject. One member of the staff has been enjoying himself asking musicians of all nationalities during the past year whether it is a British or a German song. The Germans say it is an old German folk-song, but cannot produce the evidence. Other musicians say they never heard the tune before the last war when the British people sang it. Early copies of "Pack Up Your Troubles" give the composer's name as Felix Powell, the lyric writer's name as George Asaf and the original date of publication as 1915.

Remembering that the German people are singing at least one of our wartime tunes may help us to keep alive a toleration on behalf of the German people urged so strongly by the Prime Minister and other speakers in Parliament recently.

There is no real enmity between ourselves and the German people. It is against the racketeering gangsterism of Nazi leadership that democratic man power and resources have been turned.

The Canadian Editorial of the Week

To American Tourists

Midland Free Press

WE HAVE a few words to say to American visitors who are holidaying in our countryside and to our American readers.

We Canadians have an even greater horror of war than you have, for we have suffered more from it. We are no more anxious to send our sons to die on foreign battlefields than you are yours. Settling international disputes with guns and bloodshed is the craziest folly to which flesh is heir.

No nation goes to war willingly. A people must be convinced that self-interest so demands before it will sacrifice its sons to Mars. Even in lands controlled by dictators it is necessary to convince the citizenry that their right to existence is imperilled.

Canada has again had to make a bitter choice. A new and unscrupulous Napoleon has arisen in Europe who aims to dominate the world by force, and whose success, if continued, threatens to stamp out human freedom everywhere.

Britain and France, the two great democracies of Europe, have planted themselves across his path. In fighting to save Polish independence they are preserving not only the freedom of their own, but of all democratic peoples. Canada and the other British Dominions are standing alongside the Motherland. Sooner or later we believe the American people will be there too.

Self-interest will compel it. British and French democracy may differ in details but they are essentially the same as that enjoyed by the American people. Government is of, for and by the people, which your greatest American president, Abraham Lincoln, said must never perish, not from the United States, but "from the earth."

Canadians and Americans have much the same way of living. That is at stake. We make no claim on grounds of kinship in language and origin. We do suggest, however, that you give earnest consideration to your own self-interest and your duty to those who are fighting for human liberty. Are you fair to yourselves in remaining as mere spectators of the conflict, no matter how loudly you cheer for the democracies? Does it not matter enough to you who wins for you to do your bit? Are you willing that your own and your country's safety should be bought by the sacrifices of other peoples?

Freedom is yours as well as ours. It was purchased for you as ours was for us by the blood of others. We understand why you should desire to isolate yourselves from the struggle. We believe, however, that you will ultimately see that it is your fight as well as ours. In your own interest you will take your stand with the other democracies. Dictators who menace the peace of the world and the freedom of its people must be destroyed.

Editorials in Brief

One day the Bremen is reported to have reached Iceland; the next day we hear she's gone to Russia. Perhaps she's on a world cruise.

* * *

Canadian unity should find an ally in the recent Russo-German non-aggression pact.

The province which passed a Padlock Law to confound the Communist within its gates will find it hard to be isolationist against an aggressor whose ally is Russia.

* * *

Best euphemism of the week was Dr. Manion's description of Nazi leadership. He said:

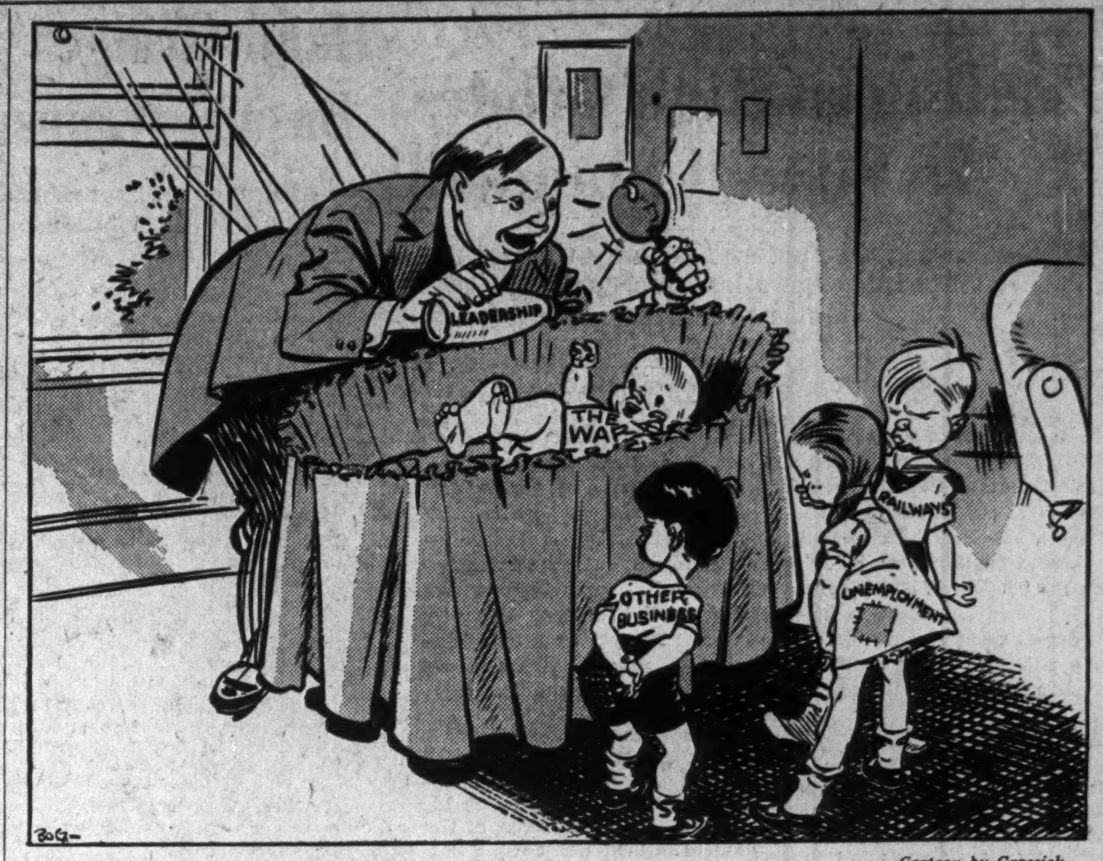
"Germany is controlled at the present time by an unscrupulous egoist."

Most of us can think of much stronger speech to describe the world's Number One public enemy.

* * *

A friend of ours had booked passage on a world-famous transatlantic steamship due to sail back to England later this month.

Last week he was informed regretfully that as he was the only prospective passenger now remaining on the list, it would be necessary to cancel his reservation.



—Cartoon by Grassick.

THE NEW BABY GETS THE MILK

Post-Scripts . . . .

Washington Envoy

Loring Christie, who succeeds Hon. Herbert Marler as Canadian minister to Washington, is, without question, the most experienced diplomat in Canada's service, not excepting the head of the External Affairs branch, Dr. O. D. Skelton.

Photo by Karsh, Ottawa.
LORING CHRISTIE

The simple record of his career demonstrates that he has been at the centre of diplomatic activity both with respect to this country and the British Commonwealth since 1915. But the very fact that he has throughout his career been immersed in diplomacy lends substance and weight to criticisms now being heard that he will find it difficult to represent adequately the broad business interests of his country at Washington.

Loring Christie almost became a citizen of the United States, almost sought a career in Washington's State department. He was born in Cumberland County, Nova Scotia, and educated at the public schools of his province and Acadia University. He then went to the Harvard Law School, where he was a brilliant student. For some time he edited the Harvard Law Review and later began the practice of law in New York.

* * *

In 1910, without surrendering his Canadian citizenship, he joined the Department of Justice at Washington as an attorney and rose to the position of assistant to the solicitor general of the U. S. from 1911 to 1913. He then went to the state department and it was from there that Sir Robert Borden took him, in 1915, for the post of legal adviser to the Department of External Affairs at Ottawa.

The extent to which Sir Robert relied upon his advice and the degree of influence he exerted in the period which saw the full blossoming of Canadian nationhood is told with reserve but with much detail in the Borden memoirs.

Mr. Christie came to Ottawa in the days when the hand of Sir Joseph Pope, former private secretary to Sir John A. Macdonald, was still firm upon Canadian foreign policy. Mr. Christie, in a real sense, became Sir Robert's closest adviser and confidant. He would naturally and inevitably have become the head of the department if Sir Joseph had retired, but Sir Joseph served on and no Conservative prime minister would ever have thought of disturbing him.

When the time for the change came, Mr. Mackenzie King was prime minister and Mr. Christie—a lifelong Conservative—was not deemed the best counsellor in foreign policy for a Liberal administration. Thus came Dr. Skelton, biographer of Laurier, to the Government service and the headship of the department. Mr. Christie stayed on for a time, but left the service in 1923, not to return for 12 years. It is not commonly know, although true, that it was Dr. Skelton and the leading Liberals of the country who persuaded Mr. King to invite him back as counsellor of the department. And it is equally true that Dr. Skelton was his chief supporter for the post at Washington.

* * *

Influence in 1914

The extent to which Mr. Christie was a powerful influence in the shaping of Canadian, Imperial and foregn policies throughout the war is not generally known. He became Sir Robert Borden's shadow. At the Imperial war cabinets, as at the Peace conference, he was in the very centre of things. He, naturally, became the intimate friend of his opposite numbers in the British service as well as in the U. S. service.

At this time, for example, Lord Lothian, then Mr. Philip Kerr, was Lloyd George's private secretary. The two men became fast friends and this fact, no doubt, had weight last week at Ottawa. Lord Lothian is now the British ambassador to the United States. Indeed, Mr. Christie at the end of the war was as much at home in the Foreign Office at London as in his own office.

Being a diplomat, it was Mr. Christie's job to advise his government. His contribution, invariably, was made behind the scenes. Yet some of his work peeps out in the pages of the Borden memoirs. Christie, it is plain, had a hand in the drafting of the peace treaties and in the phrasing of the historic covenant of the league.

Thus in his diary for March 12, 1919, Sir Robert notes that he corrected and amended his draft of the covenant, "taking into consideration suggestions from Christie . . ."

* * *

After the peace conference his next major assignment was the Washington Conference of 1921-22. Here he was again at Borden's right hand, though he also acted as secretary general for the British Empire delegation.

With the retirement of Sir Robert in 1920 and the succession of Rt. Hon. Arthur Meighen, Mr. Christie continued to be the adviser in chief to the Government. Mr. Meighen relied upon him just as completely as Sir Robert had. But with Meighen's eclipse in 1921, the position changed. Mr. Christie's advice was no longer sought; he found himself sidetracked in his office in the east block.

* * *

Business Experience

In 1923 he resigned and went to London as legal adviser to a group of businessmen headed by Sir James Dunn. But his interest soon palled and he returned to become the legal adviser of the Ontario Hydro, transferring, later on, to Beauharnois. Then in 1935 he was invited back to the department and given the rank of counsellor.

He co-operated loyally and faithfully with his new chief, Dr. Skelton, and steadily rose in influence in matters of policy. He was one of the leading advisers of the Government at the Imperial Conference in 1937.

Mr. Christie's diplomatic equipment, as the record demonstrates, cannot be questioned. His ability and background are unrivalled in the Canadian diplomatic service and he knows official Washington better than any other person at the disposal of the Government.

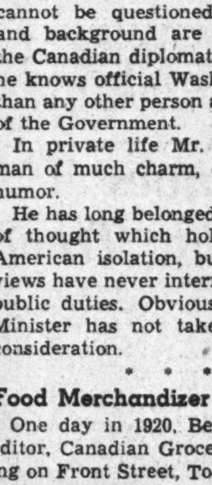
In private life Mr. Christie is a man of much charm, of wit and of humor.

He has long belonged to the school of thought which holds by North American isolation, but his private views have never interfered with his public duties. Obviously the Prime Minister has not taken them into consideration.

* * *

Food Merchandizer

One day in 1920, Bert T. Huston, editor, Canadian Grocer, was standing on Front Street, Toronto, talking to a food manufacturer. The manufacturer was complaining about the poor accommodation at the old Manufacturers' Building of the C.N.E. He felt there was too much jumbling of exhibits, too much crowding.



B. T. HUSTON

Mr. Huston said: "Why not have a separate building for food products?"

The idea seemed a good one. Without delay, they paid a visit to the late John G. Kent, then general manager of the C.N.E. Mr. Kent—himself a great showman—was sympathetic. He suggested the food companies organize and approach the Exhibition with a definite plan. He insisted on a ten-year contract from would-be exhibitors. Erected in 1922, the building was such a success that the C.N.E. authorities decided to double it on their own initiative the following year.

Today, Food Products Day (which developed naturally from this well-planned beginning of 17 years ago) is one of the best days at the big annual exhibition.

If any one man is responsible for this success it is Mr. Huston. It was he who undertook to organize the industry back in 1920. He is the man, behind the men, who cause housewives to flock in their tens of thousands to see and taste the latest things in food products. It was his organization which afforded the chance a few days ago of winning a Chevrolet car, a Westinghouse range or washer and a thousand other Food Products Day prizes.

* * *

Since it was organized in 1920, Mr. Huston has been the perennial, hard-working, secretary of the Food Products Association. No trade group has done a better job of organization and showmanship or has been more successful in getting and holding public support and interest.

Each year, the Association, which includes more than 60 of the largest food firms in Canada, has improved its C.N.E. show as a result of joint action on the part of its members. Attendance has climbed steadily since Food Products Day was organized (at the behest of the Association) three years ago. In the old days, the first Wednesday of the C.N.E. was a poor day from the standpoint of attendance. Now, it is becoming a big day.

The next improvement the Association aims to get is a new building for 1942. The present structure will have been occupied 20 years by then and Association members feel that they deserve bigger and better things. If the building is obtained it is certain the members will co-operate by spending liberally to improve and modernize individual exhibits. This happened back in 1922 and has been happening in individual cases ever since. It is the sort of merchandising progress which brings big results, pays substantial dividends.

Mr. Huston was born on a farm near Peterborough. He went to public and high school there and taught school for four years. His first contact with the grocery business came when he ran a branch general store for two summers for a merchant in a summer resort district near his home. Then he added a journalistic string to his bow by working for three years on the Peterborough Examiner.

He came to Toronto late in 1908 and got a job as editor of Colonel Maclean's Canadian Grocer. He has held that job ever since.

* * *

Not only does the Food Products Association draw a big crowd of housewives and customers, it also attracts the grocers and food retailers themselves. In fact, the Association puts on special prizes for the retailers in which opinions are asked as to how the day itself can be improved.

Chairman of the special executive committee of the Association which planned the 1939 show was Fred J. Collins of Canadian Canners Limited. R. E. Jones, of General Foods was vice-chairman. Of the original directors of the Association there is now just one remaining, in addition to Mr. Huston, he is W. G. Patrick, president of the importing firm bearing his own name.

* * *

Woodring to Ottawa?

It is a curious coincidence that with the retirement of Sir Herbert Marler from Washington, both U. S. and Canada should, at a most critical time, have been without representation in their respective capitals.

The speed with which Ottawa named Loring Christie for the ministerial job at Washington has filled one vacancy, but the United States is still without a minister at Ottawa. Daniel Roper, it will be remembered, withdrew from Ottawa a few weeks ago, after serving a 90-day appointment as a personal favor to President Roosevelt.

Recent reports from Washington tell of an effort to "ease" Secretary Woodring out of the War Department and shift him to the vacant post of Minister to Canada.

Reasons behind this are said to be that Mr. Woodring is not really qualified for his present responsibility in time of war. There is also a feeling that he "doesn't play ball" sufficiently with the inner circle at White House.

The hitch in these plans, according to a current item in News Week, is Mr. Woodring himself. Apparently he was offered and tempted by the Ambassadorship to London a short time ago, but it is now reported that since the outbreak of war he has lost interest in any diplomatic job and intends to hold on to his post until Mr. Roosevelt's term ends.

In the Mail . . .

Wartime Economy

Editor, The Financial Post:

At this stage in our preparation for active participation in the European war it is important to avoid two extremes of behaviour which war hysteria is likely to develop. Against the one extreme of unreasonably large purchases of necessaries there has been adequate protest in the press, and the evil results of such action quickly make themselves evident. Of the other extreme of unreasonable economy little has been said, and its evil results will be less easily and less quickly perceived. I believe that your paper might perform a useful function in drawing attention to the dangers of this second extreme.

There are many people for whom economy is an immediate necessity, but there are many others who will practise economy not because of necessity but because they believe it to be a patriotic duty. They will have in mind the call to economy in the last war, and they will have some sense of guilt in continuing enjoyment of peacetime luxuries. But while economy will become a wartime virtue, the time for it is not yet. War expenditures will not quickly take the place of peace expenditures; immediate economy therefore is likely to cause unemployment and distress. Furthermore such distress is to be deplored not only on peacetime grounds of social justice or humanitarianism, but also on military grounds of the importance of civilian morale.

Labor cannot be saved up. It is of no advantage to the nation, indeed it is a positive disadvantage, to refrain from buying cosmetics, to dismiss chauffeurs and gardeners, or to abandon a building project, unless there is an alternative job of greater importance ready to be done. Next spring it should be a reasonable presumption that more important jobs do exist; this winter such a presumption is doubtful.

Recognition of this principle in Ottawa is indicated by the determination of the Dominion Government not to cancel any of their public works contracts. It is greatly to be hoped that this example will be followed by the Provincial Governments and where possible by industrial corporations.

V. W. BLADEN.
University of Toronto.

As Others See Us . . . .

Difficulties of Prophecy

Durham Chronicle

The Chronicle was far astray last week when it expressed the opinion there would be no war. Another prophecy by The Financial Post that there would be an election in Canada this fall is likely equally wrong.

It is hard to prophesy anything just now, so long as Hitler, the Damn Fool of Europe, is above ground.

Canada's Contribution

Orillia Packet-Times

According to The Financial Post, 50 or more new industries have been established in Canada by European industrialists within the past 18 months.

But if Canada is giving a welcome to European capital seeking security from the dictators, this country cannot turn a deaf ear to the cry of European refugees fleeing from tyranny and persecution. The present inhabitants of the Dominion should not adopt a dog-in-the-manger policy. To do so would be to atrophy our own moral sensibilities, and to prove false to the Christian principles upon which our civilization is based.

In this, as in many other problems of a similar nature, there are limits to what this country can do, far below the measures necessary to cope with the distress caused by inhuman policies in Europe. But Canada should make her contribution toward providing homes for those who are being driven from their native lands, and it should be on a generous, not on a niggardly scale.

Other People's Views . . . . . .

Defense Comes First

Toronto Globe and Mail

In the interests of national economy and security it would be advisable for the government to postpone the expenditure of approximately $100,000,000 which was approved at the recent session of parliament for the purpose of building post-offices, wharves, and other public works. These were popularly known as "pork-barrel" or election expenditures. More serious business is now afoot, and nothing will be lost by diverting the $100,000,000 which was to be made available for peacetime projects into defense preparations. The postoffices and the public works can wait. Hitler won't wait.

War Budget

Windsor Star

Canada's war budget is based on three factors:

1. To win the war.
2. To curb profiteering.
3. To make all share the costs of combat.

By bringing down a budget of that order, the King Government is trying hard to be fair. Everyone knows a war costs money and that the only way to meet those costs is by taxation. When the taxes are spread to include everyone, there is not the ground for grumbling that would have been provided by a series of taxes destined to hit only one group.

If the war goes on for a long time, there will be still higher taxes. That is inevitable. And, if there is brisk business due to wartime spending, then it would be proper that the Government should collect taxes on that money on the pay-as-you-go scheme. The time to get the taxation is when the money is there to be paid.

The new taxes won't be any great surprise. Canadians realize that the country has to pull in its belt and meet the costs of the war. To crush Hitlerism, the price has to be paid.

Stop Me If . . .

Professor (to unruly freshman)—Tell me, sir, what has become of your ethics?

Freshman—Oh, sir, I traded it in long ago for a Hudson.

Week in Business

Stabilized Exchange Seen As Business Aid

Official Daily Rate Eliminates Momentary Fluctuations — Citizens Still Buying Ahead to Avoid Advance in Prices — Coal Dealers Busy

Canadian business while still upset, is beginning to realize that war must now be regarded as a normal condition. This situation seems likely to obtain for some years. Accordingly many lines of industry are looking more to war orders to keep their plants busy, than to ordinary peacetime business. Adjustments are being made. It is pointed out by some business men that while there will be changes between certain departments, the total volume of business available will probably be greatly increased by the war demand.

* * * *

In a letter to his clients, J. J. Gibbons, president of J. J. Gibbons Ltd. advertising agency, urges that there is a vast difference between conditions today and those of 25 years ago. He points out that in contrast to 1914, there has this time been no sign of panic on the exchanges, no undue restriction of credit, and the volume of cancellations has been but a small percentage of those made in August, 1914. Because of the experience gained during the last war and the past 20 years, he says, "the standard of industrial efficiency so acquired will be of high advantage to Canada in mobilizing for mass production of all commodities needed to arm, feed, clothe and house her people, and to aid in supplying the needs of the people and the forces of Britain. . . . . In the domestic market, producers will not only advance their own interest, but the national interest as well, by continuing a vigorous policy of sales activity and aggressive merchandising endeavour. For the people of Canada will continue to need food, clothing, and homes and the other things they care for and desire—and they will have the money to buy them. And the producer who maintains and develops his place in the Canadian market, during the war, will find that his products will have a continued and greater acceptance in that market when the war has been won."

Meanwhile retail trade continues active with many people laying in supplies of food and clothing against higher prices. The elimination of certain articles from the list of those exempted from sales tax and the increased customs duties on tea and coffee have already, in many instances, been reflected in the prices. It is noticeable, however, that in some of the large stores there has as yet been no change made in a number of articles nor has there been any announcement of an intention to do so in the near future.

* * * *

The higher rates of exchange on the United States dollar has affected prices of certain commodities coming from there. For instance the price of coal has been advanced. Dealers report a heavy demand. One Toronto dealer stated that he would be unable to fill an order for two or three days owing to the heavy volume of business passing. The rise in price, he said, was only sufficient to take care of the higher exchange rate. Meanwhile the new Exchange Board appointed by the Dominion Government is having a steadying effect. The fact that a daily rate on sterling and U.S. exchange is set by the Exchange Board is much more satisfactory than the former condition under which fluctuations were almost momentary.

In the United States, industry has received quite an impetus from the war, but unless the Neutrality Act is amended it is evident they will not make much out of the export of munitions. Canadian business is not yet upset over having certain supplies cut off such as airplanes and their parts and some chemicals. It is believed that any deficiency will eventually be made up here, if the Act is not amended.

Business Indicators

Current business unsettled with D.B.S. index of business activity for week ended September 9 higher than previous week but below last year.

Department store sales in August lower than in 1938.

Carloadings for week ended September 9 higher than year ago, total for year to date up 0.6%.

Railway earnings for second week of September, above last year, totals for both roads for year to date up 7.2% and 3.6% for C.N.R. and C.P.R. respectively.

Wheat exports in August increase sharply over last year. Cumulative for eight months 91.7% over 1938.

Flour production for first eight months of 1939 increases 35.3%.

Coal production gains 1.4% in first seven months of year, imports drop 15.5%.

Footwear production for July and first seven months above last year.

Sugar grindings from January 1 to August 12 gain 3.9%.

Trend of business shown by The Financial Post Business Index and following key factors, new items for week being marked thus ▲.

	Sept. 9	Sept. 2	Aug. 26	Aug. 19	Sept. 10/38
Commodity prices	75.9	72.8	72.7	71.9	74.0
Weekly index	109.7	106.7	108.1	108.3	110.4
	Aug.	July	June	May	Year Ago
Financial Post index	....	119.8	118.8	116.3	109.0
Retail index no. of sales	....	83.5	85.0	80.8	80.3
Dept. store "	▲73.6	77.3	72.2	75.2	74.7
Wholesale "	....	92.2	99.3	101.4	90.1
Country (% change fr. last yr.)	....	—6.2	—7.7	—2.8	....
Employment D.B.S. Index—					
	Aug. 1	July 1	June 1	May 1	Year Ago
All industries	117.5	115.8	113.1	106.2	112.1
Manufacturing	112.8	111.3	111.4	108.4	110.1
Wage earners, No. (000)	....	....	2,385	2,329	2,338
Living costs‡	....	$16.93	$16.92	$17.02	$17.45
			Jan. 1 to date		%
Railways—	1939	1938	1939	1938	Change
Carloadings, week (Sept. 9)	▲60,572	51,793	1,618,160	1,608,449	+0.6
C.N.R. gross, wk. (Sept. 14) $	▲5,308,350	4,193,777	129,074,489	120,370,773	+7.2
C.P.R. gross, wk. (Sept. 14) $	▲4,823,000	3,497,000	94,949,000	91,586,000	+3.6
C.P.R. net revenue (July) $	626,160	507,337	5,977,503	3,188,365	+87.4
C.N.R. net revenue (July) $	214,927	•96,958	•290,490	•5,776,941	....
Iron and Steel (July)—					
Pig iron production (tons)	59,587	51,238	356,108	455,396	—21.8
Steel ingots and castings prod. (tons)	111,149	83,927	691,290	754,267	—8.3
Automobiles (Number)—					
Passenger Cars:					
Domestic sales* (July)	5,820	6,187	60,228	67,012	—10.1
Factory output (July)	5,112	5,273	75,080	81,375	—7.7
Trucks and Buses:					
Domestic sales* (July)	2,057	2,067	15,545	17,637	—11.9
Factory output (July)	4,023	3,734	27,810	29,790	—6.0
Exports (July)	4,840	4,760	39,610	39,731	—0.3
Financing (July):					
Used $	3,669,707	3,748,860	21,709,955	23,452,665	—7.4
New $	2,391,448	2,719,524	17,846,861	22,945,114	—22.2
Construction—					
Contracts awarded (Aug.) $	25,827,200	22,113,400	131,402,800	123,926,800	+6.0
Cement, bbls. (June)	728,000	749,000	1,995,776	2,167,414	—7.9
Agriculture—					
Flour prod., bbls. (Aug.)	▲379,276	286,270	3,005,951	2,220,586	+35.3
Wheat exp., (Aug.)	▲10,272,929	6,266,055	75,386,950	39,298,033	+91.7
Cattle sales (July)	61,220	64,127	397,686	387,976	+2.5
Hog sales (July)	42,144	43,619	358,138	409,863	—12.6
Sea Fisheries: (July)‡					
Catch, cwts.	1,267,700	977,800	5,115,220	4,122,090	[illegible]
Landed value	2,860,300	2,583,600	8,884,580	8,706,810	+2.0
Newsprint (tons)—					
Production (August)	▲236,975	220,303	1,805,669	1,682,720	+7.3
Exports (July)	200,173	200,836	1,415,291	1,304,122	+8.5
Mining and Oils—					
Coal prod., tons (July)	▲1,064,354	825,940	7,872,776	7,757,113	+1.4
Coal imports, tons (July)	▲1,590,973	1,480,069	5,456,919	6,457,800	—15.5
Gold prod., fine oz. (June)	436,783	393,211	2,492,445	2,220,070	+12.2
Nickel prod., lb. (June)	20,103,880	16,327,169	110,314,754	108,995,141	+1.2
Copper, prod., lb. (June)	54,581,869	48,489,938	296,468,599	292,048,917	+1.5
Crude oil prod., bbls. (June)	821,308	537,654	3,371,238	2,919,425	+15.4
Crude oil imp., bbls. (June)	4,437,800	3,931,500	14,191,314	13,451,208	+5.5
Electric Power Output (July)—					
Total monthly m.k.w.†	2,204,965	1,987,774	15,947,968	14,706,151	+8.4
Foreign Trade—					
Imports (July) $	58,580,050	55,822,529	379,659,369	392,514,764	—3.2
Exports (July) $	91,728,064	78,719,799	558,990,919	494,399,446	+13.0
Other Industrial Factors—					
Dressed lumber exp.:					
M. bd. ft. (July)	185,096	165,910	1,114,950	922,002	+20.9
Shoes, prod., pr. (July)	▲1,833,993	1,626,772	13,083,764	12,573,625	+4.0
Cotton imports, lb. (July)	9,419,000	7,588,000	62,983,000	71,694,000	—12.1
Raw rubber imp., lb. (July)	6,747,000	6,015,000	36,194,000	31,360,374	+15.4
Cigarette cons. (July) No.†	677,112	638,703	3,970,326	3,870,561	+2.5
Sugar manufactured, lb.§	▲101,582,123	100,705,387	489,370,866	470,846,295	+3.9
Finance—					
Bank debits (July)† $	2,376,528	2,466,370	17,509,832	17,051,439	+2.6
Bond sales (Aug.)	▲$113,231,600	52,096,566	980,751,526	777,849,927	+26.2
Life insurance (July) $	32,244,000	30,635,000	224,787,000	224,467,000	+0.1

*D.B.S. All Canada figure comprising over 90% of the Canadian total.
†000's omitted. §For four weeks to Aug. 12, 1939. •Deficit.
‡Unrevised figures covering N.S., P.E.I., N.B., Que., B.C.

Rails Move More Wheat

C. P. R. Sets New Record — Earnings Will Show Increase

From Our Own Correspondent

Increased movement of grain is already being reflected in earnings of the Canadian National and Canadian Pacific Railways. Both systems report sharp gains in revenue in recent weeks.

Gross earnings of the two railways for the first two weeks of the current month totalled $18,303,861. This is an increase of $3,394,000 or 22.7% over the same period last year.

C. N. R. gross earnings for the week ended Sept. 14 amounted to $5,308,350, an increase of $1,114,573. C. P. R. earnings for the same week totalled $4,823,000, an increase of $1,326,000.

It is generally assumed that the policy of the Government will be to put its stocks on hand and as large a proportion of this year's crop as possible in position for export to Great Britain and France. This means as large an amount as possible will be stored in eastern elevators.

Via Atlantic

Most of the grain is expected to move to Europe via the Atlantic seaboard. Last year there were large shipments via Vancouver, but this port is now at a disadvantage. Since the convoy method of protecting shipping is to be used the Atlantic route has distinct advantages in view of the shorter ocean haul.

As far as the railways are concerned this is a beneficial development for it means a longer haul from many points in the West.

Wheat has already started to move in large volume. Carloadings of grain in recent weeks have been substantially above the corresponding weeks last year.

In fact, the Canadian Pacific Railway set a new record for the haulage of grain from Winnipeg to the Head of the Lakes during the first half of the current month. The average movement for the period was 1,553 cars per day. This compares with the previous record of an average of 1,468 cars a day in October, 1928. It should be noted that the height of the wheat movement is usually from the middle of September to the end of November.

Set New Record

The new record recalls the days of the bumper crop in 1928. In that year the Canadian Pacific moved 111,475 cars of grain out of Winnipeg from Sept. 15 to Nov. 30, that is, in 77 working days. Had this traffic been handled in trains of 60 cars it would have resulted in one train an hour for each of the 77 days. The highest daily record was established on Sept. 30, 1928, when 2,107 cars were moved from Winnipeg.

Flow of wheat eastward in large volume depends in part on how soon it will be possible to get shipments moving freely out of Atlantic ports. Elevators on the Atlantic coast are almost full at the moment. There is, of course, available space in the elevators along the Great Lakes.

Nova Scotia Fears Apple Market Loss

From Our Own Correspondent

MONTREAL.—Nova Scotia apple producers are worried about what is going to happen to their 2.5 million barrel apple crop.

In the past, Nova Scotia apple producers have sold almost their entire output in Europe, more especially in Great Britain. In view of the outbreak of war, they are threatened with the loss of this market.

Lose British Market For Canned Lobster

From Our Own Correspondent

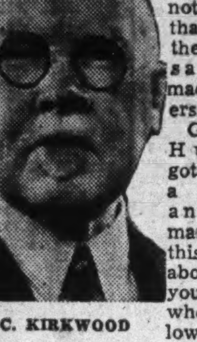
MONTREAL. — Lobster canning factories in the Maritime Provinces and Newfoundland will be adversely affected by the war.

Canned lobster can now be shipped into Great Britain only under license, and there is little likelihood of such licenses being granted.

Keeping Posted

Veteran Business Commentator Shares His Wide Reading With Businessmen

By J. C. KIRKWOOD



J. C. KIRKWOOD

In Thamesville, Ontario, are two brothers, Garnet and Orville Hubbell, who are carrying on the hardware business begun by their father seventy-one years ago, in the same store. Thamesville is a small town, about 800 population, so it is not surprising that 90% of the Hubbell sales are made to farmers.

Garnet Hubbell got talking to a Hardware and Metal man, and had this to say about some young men who have allowed themselves to become pessimistic: "I get rather disgusted when young men, especially young farmers, come in with a tale of woe. Many of these young chaps have heard about big wages being paid in cities, and they want to drive round in a big car and take life easy. Right in this section for some time past we have been getting a steady influx of Czechs, French, Belgians and other peoples from overseas. They take up land hereabouts because it is good and they know that all they have to do is to work it, and they can live well and provide amply for themselves and their relatives. Many of these people know what real hardship is, and they look on this country and our free and easy life here as a kind of heaven. I am optimistic that before long our people will get over their pessimism and realize what a splendid country Canada is and what a real opportunity we have here."

I wish that all of us would read John Steinbeck's "Grapes of Wrath" —that current best-seller, for it paints a picture of an Oklahoma family who went to California, by truck, in quest of opportunity to work. A reading of this book confirms what Mr. Hubbell says, namely, that we whose lot is set in Canada live in heaven—this as against the lot of many who live in other lands.

* * *

Engineering Opportunities

That extraordinarily interesting issue of The Financial Post, dated September 9, which told in two sections about the work of engineers in Canada, leads me to refer to the book, "Engineering Opportunities," edited by R. W. Clyne, and published by D. Appleton-Century Company. The foreword of this book, written by Dr. Karl T. Compton, president, Massachusetts Institute of Technology, says, "We owe a debt of gratitude to the authors for bringing together a bird's-eye view of the field of engineering for the guidance of those who are interested in making its closer acquaintance." A total of 36 engineering opportunities are described in this book, which ought to be read by every young man who contemplates making himself an engineer—in the aluminum industry, in applied physics, in architecture and city planning, in the automobile industry, in aviation, and so on.

* * *

Gardens Make Homes

"Do you show your friends your back yard with pride?" is the question put by Douglas L. McDonald in his contribution to the September issue of Canadian Homes and Gardens. Mr. McDonald says: "If your family desires the peace, the quiet, the seclusion of a private retreat, then you must turn your back to the street. Place your kitchen to the front; set your garage at the front. Place your living room and dining room at the back; it will bring your garden into your home."

This article of Mr. McDonald's is in tune with the theme of the September Canadian Homes and Gardens, which theme is "garden planning." This article ends "At 5 or 6 o'clock you return to your transformed residence on a restful street. You enter, change your jacket for a blazer, and retire to your garden. Your nerves, frayed by the stress of bustling business, begin to relax. Your worries flee, and the world loses its bluish haze. You are content. You're home!"

It's a superfine number—this September issue of Canadian Homes and Gardens.

* * *

Mattawa's Famous

I like much what Frederick Edwards did in the September 15 issue of Maclean's Magazine: he wrote about a small Ontario town, Mattawa, on the Ottawa River, about 40 miles east of North Bay. The title of his article is "Small Town Big Men."

"Of what significance is this sleepy village to the Canada of today?" asks Mr. Edwards, and a partial answer is: it has inspirational importance, for it is said that, for its size, it has produced more great men, more Canadians who have achieved national, and even international, prominence in various walks of life, than any other community in the Dominion. I hope that many other places in Canada will get busy in an effort to disprove this statement. It would be a fine battle—and a useful one.

Here are the names of some of these Mattawa men: Noah and Henry Timmins, Jack Rankin, Leonard Smith, David Dunlap, mining men; Joseph Beaulieu, for twenty years professor of French, Ottawa University, concert singer and composer; Armand Pigeon, painter, designer, and former technical adviser to Hollywood; Dr. Alexander Meindl, chief surgeon at St. Boniface Hospital, Manitoba; his brother, Joseph Meindl, city engineer of St. Boniface; M. J. "Mike" Rodden, hockey player and referee, football coach, sports writer and editor; Louis Berlinquette, for fifteen years a major league hockey player; Archie Blainey, better known as "Grey Owl," naturalist, lecturer and author; Frank Cochrane, John Loughrin; George Smith, prominent in politics; Leonard MacCracken, prominent in journalism; Fred Ferland, prominent in radio. And there are others. And there are good Mattawa men who have not left their native town.

This story of Mattawa and its famous sons makes very entertaining reading.

Southern Canada Earnings Steady

Results This Year Approximate Profits in 1937-38

From Our Own Correspondent

MONTREAL.—Earnings of Southern Canada Power Co. for the year ending Sept. 30 are expected to approximate those reported for the 12 months ended Sept. 30, 1938.

Earnings in each of the past two fiscal years have been equivalent to 90 cents a share on the common stock.

Improvement in earnings in August is reported by the company. Gross earnings for the month were $9,952 higher than in the same month last year and the surplus, after all charges, including dividend, was up $3,656.

Gross earnings for the 11 months ended Aug. 31 amount to $2,202,785, an increase of $47,394. This is offset by an increase of $58,045 in operating expenses so that net earnings are actually $5,561 lower.

Month of August	1939 $	1938 $
Gross earnings	206,180	196,208
Operating expenses	91,975	86,744
Net earnings	114,185	109,464
Int., deprec., divds.	110,320	109,255
Surplus	3,865	209
11 Months Ended Aug. 31		
Gross earnings	2,202,785	2,155,391
Operating expenses	960,166	907,121
Net earnings	1,242,619	1,248,270
Int., deprec., divds.	1,213,359	1,207,315
Surplus	29,260	40,955

Coal Output Rises Sharply in July

From Our Own Correspondent

MONTREAL.—Coal production in Canada in July was sharply higher than in the same month a year ago. Output for the month amounted to 1,064,354 tons as against 825,940 tons a year ago, an increase of 28.9%. The average production for July during the past five years has been 1,001,673 tons.

The cumulative total for the first seven months of the year shows an increase of 1.1% in output, a total of 7,846,659 tons being produced, as against 7,740,049 tons in the same period of 1938.

Imports of coal into Canada were also higher, amounting to 1,509,973 tons. This is an increase of 7.5% over July, 1938.

Coke production during July amounted to 189,254 tons as against 187,990 tons in June, and 183,199 tons in July last year.

TRENDS IN THE FIELD OF INVESTMENT

Facilities for studying the frequent changes in the field of investment and the status of securities are available to this organization through its branches: These facilities are at the disposal of our clients at any of our offices:

A. E. AMES & CO.
LIMITED
Business Established 1889
TORONTO
Montreal Winnipeg Vancouver Victoria New York London, Eng.

Excess Profits Tax . . .
Its effect upon your investments

We have compiled a table indicating how certain Canadian Companies may be affected by the new Excess Profits Tax. Write for a copy.

McLEOD, YOUNG, WEIR & Co.
LIMITED
Metropolitan Building, Toronto
Telephone: Elgin 0161
Ottawa Montreal London Hamilton
Correspondents in New York and London, Eng.

THE LONDON & WESTERN TRUSTS COMPANY
LIMITED
ESTABLISHED 1896
Head Office: LONDON
TORONTO WINDSOR WINNIPEG SASKATOON VANCOUVER

How do you arrive at the cost of life insurance?

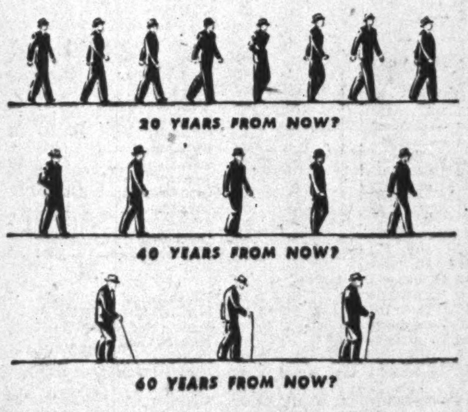
A LOT OF PEOPLE ASK THE QUESTION, "How do you figure out what my life insurance will cost me?"

As you may know, life insurance calculations are made by Actuaries—men skilled in the science of life insurance mathematics. But you don't have to be an Actuary to understand the basic facts about the cost of life insurance.

Three factors enter into the cost of life insurance. They are: (1) *mortality;* (2) *interest;* (3) *expense.*

First, let's take up *mortality.*

In insuring a group of people of a given age, a life insurance company must be able to approximate how many of the group will die each year—and, hence, how much money will have to be on hand to meet the claims that will fall due each year.


How many will be living...
20 YEARS FROM NOW?
40 YEARS FROM NOW?
60 YEARS FROM NOW?

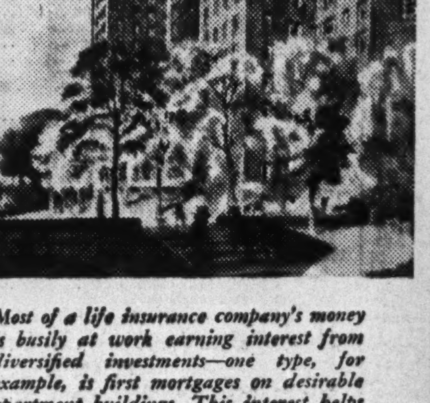
Knowing approximately how much money will have to be paid out in death claims each year is an important factor in figuring the cost of life insurance.

To determine this, the company uses a mortality table adapted to the type of risk represented—a table which is based on the number of actual deaths as experienced in past years in similar groups.

The company could, of course, collect just enough money in premiums each year to pay the claims expected for that year and to cover the cost of doing business for the policyholders. But this has not proved a satisfactory method in the past.

As adults in a group insured at a given age become older, the death rate increases. Hence, the claim rate also increases. Obviously, the number of people in the group left alive to pay those claims constantly decreases . . . and the cost to the survivors eventually would become prohibitive.

A life insurance company, therefore, works out a "level" premium to be paid by each member of the group each year. This "level" premium amounts to somewhat *more* than is necessary for claims in the early years, when the death rate is low . . . and somewhat *less* than is necessary in later years, when the death rate is high.



Most of a life insurance company's money is busily at work earning interest from diversified investments—one type, for example, is first mortgages on desirable apartment buildings. This interest helps to pay for your life insurance.

Two things are done with the money collected in early years. First, the company pays current claims. Then it sets aside a "reserve" fund so that in later years, when premium collections are *less* than is necessary to pay claims, money will be on hand to make up the difference. This "reserve" is scientifically calculated and is required by law. It assures the policyholder that his premium will not increase as he grows older.

If the company did not accumulate this reserve, it could not maintain the level premium. Nor would it have the funds to pay cash, loan, or other non-forfeiture values available under legal reserve life insurance policies.

This reserve is not held as cash in the vaults. It is invested to earn *interest,* which is the second factor entering into the cost of life insurance. When calculating the premium to be paid, the company assumes the obligation to add interest to the reserve each year during the life of the contract at a definite rate . . . and thus enables the policyholder to pay a lower premium than he would otherwise have to pay.

The third factor to be taken into account is *expense*—the cost of doing business for the group insured. This cost includes taxes, maintenance of office and field force, and the expense incident to all the transactions that are necessary each year.

This is one of the automatic check-signing machines at Metropolitan. More than 7,000,000 checks in payment of obligations to policyholders and beneficiaries were issued in 1938.

These are the basic principles involved in computing life insurance premiums. And Metropolitan does just what *you* would do . . . if you had to provide for something to be delivered in the future, perhaps 2,000 A.D. It figures *conservatively,* allowing a margin for contingencies. Then, if the cost of life insurance does not turn out to be as much as was assumed, the difference is paid or credited annually to the policyholders as dividends.

This is Number 17 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be mailed upon request.

Metropolitan Life Insurance Company
(A MUTUAL COMPANY)
NEW YORK
FREDERICK H. ECKER, Chairman of the Board
LEROY A. LINCOLN, President
CANADIAN HEAD OFFICE—OTTAWA

The "isolationist" gets a break

Isolation or separation of advertisements in a newspaper, means "visibility"—which, in turn, means greater "selling effectiveness." This naturally entails the use of more reading matter and adds greatly to the cost of producing a newspaper. Nevertheless it is considered a worth-while policy in that both reader and advertiser share the benefit. It is of vital importance to space-buyers to know that *the news content of The Evening Telegram is greater than that of any other Toronto newspaper.*

TORONTO IS A "TELEGRAM" CITY

THE EVENING TELEGRAM
Largest Classified Linage in Canada
TORONTO CANADA
MONTREAL: E. R. CHOWN, Dominion Square Building

COTTON FABRICS AND YARNS
DOMINION TEXTILE CO. LTD.
COLONIAL Sheets and Pillow Slips
MAGOG Fastest Fabrics
DOMINION TEXTILE COMPANY, LIMITED
THE TEXTILE BUILDING VICTORIA SQUARE MONTREAL

The Financial Post

The Week's Quotations

Toronto and Montreal Exchange

The following table is confined to official prices for listed stocks, including curb market quotations. Where no transaction is recorded, bid and asked prices are given. For unlisted stocks, quotations by unlisted dealers are published. The Financial Post cannot accept any responsibility for such quotations.

WEEK ENDING SEPTEMBER 18

A

Range 1939 High	Low	Div R'te $	Sep16 Y'ld %		Sales	Last Sept. 11	Week end. Sept. 18 H	L	Cl'se
3.37	.50	·	...	Abitibi	40023	3.00	3.00	1.75	2.00
21¼	3½	·	...	Do. pref. 6%	16630	12¼	12¼	8¼	10¼
21	4	·	...	Do. pref. 7%	25	13	13	13	13
4½	3½	30c	7.5	Acadia Sugar	....	(— bid 4½ asked)			
5½	5½	30c	5.2	Do. pref.	....	(— bid 5 asked)			
5	2	·	...	Acme Glove	....	(3 bid — asked)			
*82	60	·	...	Do. pref.	....	(— bid 70 asked)			
10¼	9¼	60+20c	8	Agnew Surp.	60	10	10	10	10
111	104	7	6.7	Do. pref.	....	(104 bid 105 asked)			
3¼	1	·	...	Alta. Pac. Gr.	96	3¼	3¼	3¼	3¼
24¼	13	·	...	Do. pref.	310	21¼	24¼	22	22
16¼	6¾	·	...	Algoma Steel	4789	15¼	16¼	13	13
80	51	·	...	Do. pref.	....	(80 bid 95 asked)			
142¼	104	25c+10%	...	Aluminum	551	122	122	104	105
112¼	111¼	6	5.4	Do. pref.	....	(— bid — asked)			
4½	4½	·	...	Amal. Elec. M.	60	..	4½	4½	4½
22¼	22¼	60c	2.7	Amer. Cyn. B.	....	(— bid — asked)			
50	47	2.75	5.7	Ang. Can. Tel. p	....	(— bid — asked)			
28¼	17¼	60+30c	4.5	Asbestos	5708	21	23¼	19	19
17	11	60+45	10.3	Assoc. Brew.	116	11	12¼	11	12¼
115	109	7	6.4	Do. pref.	90	110	110	109	110
*6½	6½	·	...	Assoc. T. & T.A.	....	(— bid — asked)			
31	29	1.26	...	Do. pref.	....	(— bid — asked)			
102	100	5.50	5.5	Ault & Wiborg	25	100¾	100	100	100

B

Range 1939 High	Low	Div R'te $	Sep16 Y'ld %		Sales	Last Sept. 11	Week end. Sept. 18 H	L	Cl'se
168	145	8	5.3	Bk. Can. Nat.	46	159¾	150	145	145
222	178	8	4.4	Bk. Montreal	173	196	196	170	170
310	290	12	4.1	Bk. N. Scotia	131	303	300	290	290
255	239	10	4	Bk. Toronto	....	(200 bid 231 asked)			
5	4¼	·	...	Barcelona	....	(— bid — asked)			
7¼	3	·	...	Barker's Bread	....	(4 bid 5 asked)			
39¼	20	2.50	7.6	Do. pref.	10	33	33	30	33
9¼	4¼	25c	...	Bathurst Pr.	3105	9	9¼	7¼	8
4	2	·	...	Do. (B)	341	4	3¼	2¾	2¾
1.90	.50	·	...	Bawlf Grain	930	1.60	1.90	1.75	1.75
17	15	·	...	Do. pref.	....	(15 bid — asked)			
3	1¼	·	...	Beath & Sons	....	(3 bid 7 asked)			
8¼	4	·	...	Beatty Bros. A.	335	5¼	7	5¼	6¼
105	99¼	6	5.9	Do. pref.	....	(101 bid — asked)			
97	90	7	7.8	Do. 2nd pref.	....	(— bid 95 asked)			
5¼	2	·	...	Beauharnois	1864	4¼	4¼	4	4
95	90	4	4.2	Belding Cort.	8	90	95	95	95
141	131	7	5	Do. pref.	....	(150 bid — asked)			
178	140	8	5.6	Bell Telephone	2847	158	159	140	144
8	6	62½c	...	Biltmore Hats	225	7	7	7	7
5	3¼	·	...	Blue Ribbon	....	(3¾ bid 5¼ asked)			
34	25	2.50	7.3	Do. pref.	....	(30 bid 35¼ asked)			
24¼	17¾	1.30	7.2	Brant. Cord. pf.	....	(— bid 21 asked)			
12¾	5¼	·	...	Brazilian Tr.	20100	6¼	9¼	6¼	7¼
5¾	3	50+25c	...	Brew. & Distil.	70	3	4	3¼	3¼
6¼	6¼	30c	4.8	Bright, T. G.	....	(— bid — asked)			
80	80	6	7.5	Do. pref.	....	(— bid — asked)			
23¼	18¾	1	4.6	Brit. Amer. Oil	4400	22	22¼	20	20
18¼	11	·	...	B. C. Packers	105	15	15¾	15¼	15¾
28¼	20	2	9.1	B. C. Power A.	472	22	23	20	20
3	2	·	...	Do. (B)	95	2¼	2¼	2	2
5	2	·	...	Bruck S. Mills	1590	3¼	5	4	4
19	12¾	70+10c	6	Building Prod.	4415	14	14¾	12¾	12¾
14	9¼	60c	4.3	Burlington Steel	1745	14	14	13¾	14

Government Bonds

(Supplied by Investment Dealers' Assoc. of Canada)

Sept. 19, 1939

Dominion of Canada Bonds

%	Due		Bid	Ask	Approx. Yld.
1½	June	'40	98¾	99¼	1.75
4½	Sept.	'40	101¼	102¼	2.00
1	Mar.	'41	98	99	1.67
5	Nov.	'41	104¼	105¼	2.47
1½	May	'42	97	98	2.25
2	June	'42	98¼	99¼	2.20
3	Oct.	'42	100¼	101¼	2.46
2½	June	'43	99	100	2.50
5	Oct.	'43	106¾	107¾	2.96
2	June	'44	95¼	96¼	2.72
a2½	Jan.	'44	97¼	98¼	2.69
4½	Oct.	'44	105¼	106¼	3.10
2½	Nov.	'44	97¼	98¼	2.86
a2½	Aug.	'45	98	99	2.68
4	Oct.	'45	101¾	102¾	b3.27
4½	Feb.	'46	105¾	106¾	3.32
3½	June	'49	95¾	96¾	3.65
3½	Oct.	'49	97¼	98¼	3.71
3½	Nov.	'51	94¾	95¾	3.70
a5	May	'52	106¼	108	b1.81
4	Oct.	'52	100¾	101¾	b3.75
3	June	'55	91¾	92¾	3.60
4½	Nov.	'56	102¾	103¾	b3.90
4½	Nov.	'57	103	104	b3.92
3	June	'58	91	92	3.58
4½	Nov.	'58	104	105	b3.85
4½	Nov.	'59	104¼	105¼	b3.84
a4	Oct.	'60	94	96	4.29
a3½	Jan.	'61	87	88	4.10
3½	June	'66	93¼	94¼	3.57
a3e	Jan.	'67	79	81	4.17
a3e	Nov.	'68	79	82	4.06
†3	Perpet'l.		84¼	85¼	3.51

Dominion Guaranteed Bonds

Can. Nat'l. Railways:

%	Due		Bid	Ask	Approx. Yld.
2	Feb.	'43	97	98¼	2.45
2½	Jan.	'46	93	94¼	3.20
3	May	'44	99	100¼	2.88
3	Dec.	'50	92	93¼	3.70
3	Feb.	'53	91	92¼	3.71
3	Jan.	'59	90	91¼	3.61
*4½	Sept.	'51	105¼	107¼	3.72
*4½	Feb.	'56	107	109	3.76
c4½	July	'57	107	109¼	3.80
*4½	June	'55	108¼	110¼	3.86
5	Feb.	'54	109¼	111¼	3.95
*5	July	'69	108¼	110	b3.66
*5	Oct.	'69	110¼	112¼	b3.90
*5	Feb.	'70	110¼	112¼	b3.92

Provincial Gov't. Bonds

%	Due		Bid	Ask	Approx. Yld.
New Brunswick:					
3	Oct.	'51	84	87	4.40
3½	Aug.	'49	88	91	4.37
3½	June	'56	84	87	4.61
c4	Nov.	'47	95	98	4.30
c4½	Apr.	'61	97	100	4.50
c5	Jan.	'60	100	103	4.77
Nova Scotia:					
3	Jan.	'52	86	89	4.14
3½	June	'56	89	92	3.90
3½	Nov.	'50	90	93	4.30
c4½	Sept.	'52	99	102	b4.20
c4½	Nov.	'60	99	102	4.35
c5	Mar.	'60	103	106	4.55
Ontario:					
2½	May	'45	96¼	98¼	2.79
3	Apr.	'48	92¼	94¼	3.75
3	Nov.	'50	92	93¼	3.72
3½	Nov.	'51	93¼	95¼	3.71
*4	June	'62	98¼	100¼	3.97
4½	June	'50	103¼	105¼	3.87
*4½	Jan.	'62	104	107	4.02
5	Oct.	'48	106¼	108¼	3.87
*5	Dec.	'60	109	112	4.15
5½	July	'46	107	109	3.97
Ont. Hydro Commission:					
3	Aug.	'48	92½	94½	3.72
3½	Feb.	'53	93	95½	3.67
3½	Apr.	'47	97	99	3.65
Prince Edward Island:					
3	Oct.	'45	90	93	4.32
Quebec:					
3	Nov.	'47	88	91	4.31
3	Nov.	'51	85	87	4.40
3½	Mar.	'48	89	91	4.54
3½	June	'52	87	89	4.77
4	Mar.	'52	95	97	4.21
4½	Aug.	'58	96	98	4.40
4½	Jan.	'63	98	101	4.44
Alberta:					
4	Dec.	'54	48½	52½	d
4½	Oct.	'51	54½	58½	d
c4½	Oct.	'56	52	56	d
*5	Oct.	'59	53½	57½	d
c5½	Apr.	'52	55	59	d
6	Mar.	'47	58	62	d
British Columbia:					
c4	Dec.	'57	86	90	4.82
*4½	Jan.	'51	91	94	5.20
c4½	Oct.	'53	91	94	5.18
c5	Apr.	'54	94	97	5.30
5½	Feb.	'45	94½	98½	5.35
6	Feb.	'47	96	99	6.17
Manitoba:					
c4	Dec.	'57	78	81	5.07
c4½	Dec.	'56	81	85	5.80
*5	Dec.	'59	83	87	6.12
5½	Oct.	'55	92	95	6.06
6	Apr.	'47	94	98	6.33
Saskatchewan:					
4	Sept.	'54	58½	61½	8.82
4	Nov.	'60	58	61	7.73
c4½	Oct.	'51	75	80	6.91
c4½	Mar.	'60	61	65	8.09
5	Aug.	'58	66½	70½	8.06
5½	Oct.	'52	73	77	8.45
6	Mar.	'52	75	79	8.39

*Payable Can., N.Y. & L. b–Calculated to call date giving lowest possible yield. c–Payable Can. & N.Y. a–Payable N.Y. †Callable on or after Sept. 15, 1966. d–Traded flat. Interest being paid at 50% of coupon rate, minimum rate 2%. e–Callable at a premium.

Unlisted Stocks

(Furnished by A. J. Pattison Jr. & Co., Toronto)

Sept. 19, 1939

Industrials:	Bid	Ask.
Acme Farm. p.	13½	..
Andian National	32½	..
Anglo C. Tel., A.	8	8½
Barrymore, pfd.	17½	..
B. C. Pulp, c.	10	12
Do., pfd.	35	..
B. C. Sugar	82½	84
Burns & Co., A	5	6
Do., B.	2½	3
Canada Tea, pf.	20	24
Can. Co-op. W'l.	6	..
Can. G'rich, c.	1½	..
C. I. L., A c.	225	..
Can. Ing. Rand	132	135
Can. Tube, 1st p	65	..
Chase, A. W., p	25	28
Claude Neon, p.	4½	6
Cons. Sales, B p.	..	78
Cope, Flour Unit	6¾	7½
Dom. Wooll's., p	3½	3¾
Dunlop Tire, p.	21	22
Easy Washing, p	..	8
Fed. Grain, pfd.	23	25½
Do., com.	2	2½
Goderich Elev.	7	7½
Guard. Realty, p	..	16
Guelph Carp., p.	97	101
Do., com.	10	11
Hayes Steel, c.	18½	20
Do., pfd. ($10)	10½	11
Hi'land Dairy, p	73	..
Do., com.	2½	..
Kingston Sh. un.	12	..
Loblaw Inc., c.	10	10½
M'row Screw, p	96	..
Mt. Royal H., p	2½	..
Neilson, Wm., c.	8	..
Do., pfd.	102	..
N. B. Tel., c.	10½	11
N. Meth. Ldy., p	58	63
Office Spec., p.	71	..
Ont. Tob., pfd.	20	23
Paterson, Wm., p	103	..
Prov. Paper, pfd	99	101
Reliance Gr., pf.	34	36
Robertson, pf.	80	..
Rob. Cons. Cone	8	8½
Ruddy, E. L., p.	27	30
Seal O-Sac (Can.)	3	4
Stand. Fuel, c.	1	2
Do., pref.*	45	49
Stedman Br., pf.	55	57
Tor. Carpet, c.	18	22
Do., pfd.	52	56
Un. F. Co-op.	2¾	2¾
Un. Steel, A pf.	21	22
Viceroy, p & rts.	23	24
West. Grain, pf.	4½	6
West. Steel, c.	6	8
Weston Hold.	..	6
Trusts & Loan Stocks:		
Brit. Mtge.	150	155
Com. Fin., c.	2¾	3¼
Guaranty Tr.	96	100
Guelph & O., $50	52	55
Lambton Loan	32	35
London & West.	38	41
Sherbrooke Tr.	120	..
Sterling Trust	52	60
Traders Fin., B c	9	11
Do., A pfd.	..	69
Trusts & Guar.	27	28
Waterloo Trust.	100	..
Insurance Stocks:		
Brit. Amer.	53	..
Canada Life	450	475
Confed., 30% pd.	140	150
Crown, fully pd.	260	..
Dominion Fire	135	..
D. of Can. Gen.	110	122
Empire, 25% pd.	..	7½
Excelsior Life	55	59
Fed. F., 25% pd.	50	52
Great-West Life	220	235
Halifax Fire	16	18
Imperial Life	285	305
Manufac. Lfe	225	240
Monarch, 10% pd.	21	23
Sov. L., 25% pd.	12½	..
Sun Life	350	385
Tor. General	5½	6
Western Assce.	48	51
Theatre Stocks:		
Allens Kingst., p	..	63
Do., London, p	..	53
Do., St. Cath. p	50	..
Do., Tor., p. c.	29	34
Mansf. Theat., p	28	32
Midland Prop., p	..	5¼
Para., Kitch., p.	50	..
Do., Oshawa, c	10	12
United Amuse. A	..	14
Investment Trust Shares:		
Can. Investors	5¼	6
Deb. & Sec., pf.	70	..
Inv. Found. Unit	52½	55
Sec's. Hold, pf.	17	19
United Corp., A	20	23
Do., B.	9	10
Power Issues:		
Can. W. N. Gas	23	..
Do., pfd.	96	98
Int. Util. 1.75 p	15	17
Do., 3.50 pfd.	29	34
Gt. Lakes Pr., p.	98	101
Mtl. Is. Pwr., p.	20	23
Nor. Ont. Pr., p.	90	95

Unlisted Mines

Toronto, Sept. 19, 1939

	Bid	Ask
Addingt'n	.03½	.04½
Albany R	.16	.19
Amorada	.01	.03
Anoki	.05	.09
Arjon	.01½	.03
Armistice	.01	.02
Argosy	.03	.04
Arno	.01½	.02½
Area	.03	.03¾
Athona	.03	.03¾
Barb Lard	.01½	.02½
Beresford	.19	.20
Big Mastr	.02	.03
Bilmac	.01½	.02½
Calder Bo	.01½	.03
Camlaren	.01	.03
Capital R	.00¾	.01½
Carinor	..	.08
Central M	.02½	.03½
Cheminis	.03½	.04½
Cochen'r	.42	.45
Coin Lke	.02	.03
Cont Cop	..	.08
Cont Kirk	.04	.06
Crescent	.03	.03½
Crowsh're	.05	.08
Dawson	.00¾	.01½
Dayton	.03	.04
Delnite	.80	.90
Desants n	.10	.16
Devon	..	.08
Dona Pat	.08	.11
Donwood	.06	.08
Dumico	.03½	.04½
Dunlop n	.01	.02
E Lacoma	.00½	.01½
Elmos	..	.16
Faulke'm	.01	.01¾
Flavrian	.00½	.01½
Fontana	..	.07
Frontier	.01½	.02½
Galore	.03½	.04½
Gate Pat	.01½	.02
Golden G	.15	.17
Goldside	.00½	.01½
Gordon L	..	.01½
Gorham	.01½	.02½
Granada	.01½	.03
Hallnor	5.25	6.00
Hiawa'a	.35	.45
Hislop	.00¾	.01¾
Hoyle n	.15	.16
Hugh PaP	.04	.07
Hutch Lk	.01¾	.02¾
Jason	..	.37
Keora	.02	.03
Kaw Cro	.01	.02
Kelrowe	..	.25
Kenricia	.13	.16
Kewagam	.01¾	.02½
Kiena	.09	.11
Kir Vit	..	.01
Kirk Gate	.01	.02½
Kir Hunt	.01	.01½
Lacoma	.00¾	.01½
Lake Duf	.17	.22
Lake Gen	..	.20
Lardego	.01¾	.02½
Lw Pete	.35	.42
Lucky Kir	.00½	.01½
Magnet C	.51	.53
Magnet L	.11	.13
Martin Br	.02½	.03½
Martin M	..	.04
Margaret	..	.11
Mata Can	.03	.03½
Melba	..	.03
Mof Hal n	.01½	.03
McGregor	..	.01
McVit Kir	..	.01
Mooshla	..	.04
Mosher	.08	.10
Mylamaq	.01½	.02½
Nat Mal	.17	.20
Negus	.50	.70
New Aug	..	.18
New Rib'o	.01½	.01½
Nickel O	.50	.70
Norbeau	..	.35
Norlake	.01½	.02½
Oklend	.07	.08
O'Leary	.02	.02¾
Opemiska	.05	.07
Oriole	.01½	.01¾
Orpit	.02	.04
Ossian	.01	.02
Pascalis	..	.30
Payore	.01½	.02
Por Lake	..	.03
Planet	.00¾	.01½
Pontiac	.10	.12
Pelangio	.01½	.02
Polaris	.33	.38
Private'r	.80	.90
Propri'y	1.62	1.67
Presdor	.02	.02½
Queb Mn	.08	.10
Rand Mal	.04	.06
Red LGS	.01½	.02
Rhyolite	.03½	.04
Rose Gold	.05	..
Rouyn Re	.00½	.01½
Sachigo	7.00	8.00
Shenango	.05	.06
Sheldon	..	.05
Siscoe Ex	.01	.02
Skynner	.04	.05
Smelter	.01¾	.02½
Spooner	.04½	.06
Steep Rk	.90	1.00
Sunbeam	.04	.07
Sun Bear	.00½	.01
Surf Inlet	..	.16
Springer	.05	.07
Thomp L	.13	.16
Tonawa'a	.00½	.01
Union Mn	.03¾	.04½
Up Cana	.42	.45
Walker Pt	.01½	.02
Wesley	.00¾	.01½
Wells LL	.12	.14
Westwood	.02	.03
Winoga cum rts	.05	.05½
Woco	.09	.11
Y David'n	.30	.35

Montreal, Sept. 19, 1939

	Bid	Ask
Abbeyv'e	.02½	.03½
Brown B	.01	.02
Chibmac	.01	.02
Demp'y	.01	.02
L Lag'n	.03	.05
L Rowan	.03½	.04½
Leroy	..	.01
Louvre	..	.01½
Obalski	.04	.05
Pan Can	.04	.04½
Routh'r C	..	.03
Tiblem't I	.02	.03
Valdor M	..	.05
Warren'c	..	.03

Dividends Declared

	This payment	Date payable	Date of record
Agnew-Surpass, p.	$1.75	Oct. 2	Sept. 15
Assoc. Brew.	20c	Sept. 30	Sept. 15
Do., pref.	$1.75	Oct. 2	Sept. 15
Asbestos Corp.	15c	Sept. 30	Sept. 15
Do., extra	15c	Sept. 30	Sept. 15
Amer. Cyan., A, B	15c	Oct. 2	Sept. 15
Brit. Amer. Oil	25c	Oct. 2	Sept. 16
B. C. El. P. & G., p.	$1.50	Oct. 2	Sept. 20
B. C. Telephone, pf.	$1.50	Oct. 1	Sept. 16
Do., 2nd pfd.	$1.50	Nov. 1	Oct. 17
Brockville Trust	62½c	Oct. 2	Sept. 20
Brown Cons. Pet.	1¼c	Sept. 29	Sept. 21
Building Prod.	17½c	Oct. 2	Sept. 15
Bralorne Mines	20c	Oct. 14	Sept. 30
Do., extra	10c	Oct. 14	Sept. 30
Brant. Cord., pf.	32½c	Oct. 15	Sept. 20
Brit. Amer. Assur.	$1.50	Oct. 2	Sept. 27
B. C. Power, A	50c	Oct. 14	Sept. 30
Bell Telephone	$2	Oct. 16	Sept. 23
Brazilian Tr., p.	$1.50	Oct. 2	Sept. 15
Burlington Stl.	15c	Oct. 2	Sept. 15
Beld.-Cort.	$1	Oct. 1	Sept. 15
Do., pref.	$1.75	Oct. 1	Sept. 15
Bk. of N. Scotia	$3	Oct. 2	Sept. 15
Cent. Can. Loan	$2	Oct. 2	Sept. 18
Can. W. & C., A	$1	Dec. 15	Nov. 30
Carnation, 1st pfd.	$1.25	Oct. 2	Sept. 21
Cosmos Imp., pref.	$1.25	Oct. 14	Sept. 30
Can. Cottons	$1	Oct. 2	Sept. 15
Do., pref.	$1.50	Oct. 2	Sept. 15
Can. Indust., A, B	$1.75	Oct. 31	Sept. 30
Do., pref.	$1.75	Oct. 16	Sept. 30
Can. West'ghouse	37½c	Oct. 1	Sept. 20
Chartered Trust	$1	Oct. 2	Sept. 15
Canada Bread, pf.	$1.25	Oct. 2	Sept. 23
Do., 2nd pref.	62½c	Oct. 2	Sept. 23
Do., arrears	37½c	Oct. 2	Sept. 23
Canada Life	$5	Oct. 2	Sept. 30
Can. Breweries, pf.	50c	Oct. 2	Sept. 20
Can. Perm. Mtge.	$2	Oct. 2	Sept. 15
Can. Celanese	25c	Sept. 30	Sept. 15
Do., pref.	$1.75	Sept. 30	Sept. 15
Cariboo Gold	4c	Oct. 2	Sept. 7
Do., extra	1c	Oct. 2	Sept. 7
Can. North. Pwr.	30c	Oct. 25	Sept. 30
Do., pref.	$1.75	Oct. 16	Sept. 30
Can. Wire. Box, A	37½c	Oct. 1	Sept. 15
Can. Gen. Elec.	$1.50	Oct. 2	Sept. 15
Canada Cycle	25c	Sept. 30	Sept. 15
Do. 1st pfd.	$1.25	Sept. 30	Sept. 15
Can. For. Inv., p.	$2	Oct. 1	Sept. 15
Central Patricia	4c	Sept. 30	Sept. 15
Do., extra	1c	Sept. 30	Sept. 15
Canadian Oil, pfd.	$2	Oct. 2	Sept. 20
Celanese of Am, p	$1.75	Oct. 1	Sept. 19
Cons. Bakeries	25c	Oct. 2	Sept. 18
Consumers' Gas	$2.50	Oct. 2	Sept. 15
Canada Packers	75c	Oct. 2	Sept. 15
Can. Canners, pf.	25c	Oct. 2	Sept. 15
Do., 2nd pref.	15c	Oct. 2	Sept. 15
Coronation Rylts.	▲	Oct. 3	Sept. 20
David & Frere, A	15c	Sept. 30	Sept. 15
Do., bonus	10c	Sept. 30	Sept. 15
Dom. Tar, pref	$1.37½	Nov. 1	Oct. 12
Dom. Oilcloth	30c	Oct. 31	Oct. 16
Dom. Textile	$1.25	Oct. 2	Sept. 15
Do., pref.	$1.75	Oct. 16	Sept. 30
Distillers Seag., p.	$1.25	Nov. 1	Oct. 16
Dom. Coal, pf.	37c	Oct. 2	Sept. 15
Dom. Glass	$1.25	Oct. 2	Sept. 15
Do., pref.	$1.75	Oct. 2	Sept. 15
Dome Mines	50c	Oct. 20	Sept. 30
Dominion Bank	$2.50	Nov. 1	Oct. 20
Dom. Foundries	25c	Oct. 2	Sept. 20
Eastern Trust	$2	Oct. 2	Sept. 20
Econ. Inv. Trust	62½c	Oct. 2	Sept. 21
Fanny Farmer	37½c	Oct. 2	Sept. 15
Frontier Rylts.	▲	Oct. 3	Sept. 20
Falconbridge N.	7½c	Sept. 29	Sept. 12
Famous Players	25c	Sept. 30	Sept. 15
Four Star Pet.	1c	Sept. 29	Sept. 21
Gatineau Pwr., c.	20c	Sept. 30	Sept. 1
Do., pref.	$1.25	Oct. 1	Sept. 1
Do., pref.	$1.37½	Oct. 1	Sept. 1
Greening Wire	15c	Oct. 2	Sept. 15
God's Lake Gold	*5c	Oct. 1	Sept. 15
Goodyear Tire	62c	Oct. 2	Sept. 15
Do., pref.	62½c	Oct. 2	Sept. 15
Gt. West Life	$3.75	Oct. 2	Sept. 20
Gt. Lakes Power, p.	$1.75	Oct. 16	Sept. 30
Hollinger Cons.	5c	Oct. 7	Sept. 23
Do., extra	5c	Oct. 7	Sept. 23
Howe Sound	75c	Sept. 30	Sept. 22
Do., extra	50c	Sept. 30	Sept. 22
Hinde & Dauch	12½c	Oct. 2	Sept. 15
Huron & E. Mtge.	1%	Oct. 2	Sept. 15
Do., 20% paid	20c	Oct. 2	Sept. 15
Ham. Cottons, pf.	50c	Oct. 1	Sept. 15
Ham. Un. Theat., p.	$1.50	Sept. 30	Aug. 31
Imperial Tob., ord.	10c	Sept. 30	Sept. 8
Do., pref.	3%	Sept. 30	Sept. 8
Int. Nickel	50c	Sept. 30	Aug. 31
Inter. Nickel, pfd.	$1.75	Nov. 1	Oct. 2
Inter. Power, p.	$1.50	Oct. 2	Sept. 15

Dividends Declared (Cont'd)

	This payment	Date payable	Date of record
Imperial Bank	$2.50	Nov. 1	Sept. 30
Inter. Milling, p.	$1.25	Oct. 14	Sept. 30
Inv. Foundation, p.	75c	Oct. 16	Sept. 30
Do., arrears	25c	Oct. 16	Sept. 30
Kelvinator	50c	Sept. 28	Sept. 18
Laguna Gold	‡8c	July 27	July 25
Lang J. A.	17½c	Oct. 2	Sept. 15
Lava Cap G. M.	3c	Sept. 30	Sept. 19
Lamaque Gold	10c	Oct. 2	Sept. 8
Do., extra	2c	Oct. 2	Sept. 8
Landed Bkg.	$1	Oct. 2	Sept. 15
Moore Corp., c.	40c	Oct. 2	Sept. 7
Do., pref. A & B	$1.75	Oct. 2	Sept. 7
Mitchell, J. S., p.	$1.75	Oct. 2	Sept. 15
McColl-Front., pf.	$1.50	Oct. 14	Sept. 30
Marcus Loew's, p.	$1.75	Sept. 30	Sept. 16
Do., arrears	$1.75	Sept. 30	Sept. 16
Moneta Porc.	3c	Oct. 14	Sept. 30
Mtl. C. & D. Sav.	$3	Oct. 2	Sept. 15
McWatters Gold	10c	Oct. 10	Sept. 30
Nat. Grocers, p.	37½c	Oct. 2	Sept. 15
National Trust	$2	Oct. 2	Sept. 20
N. S. L. & Pr., ord.	$1.50	Oct. 1	Sept. 16
Nat. Steel Car	50c	Oct. 14	Sept. 30
Niagara Wire	25c.	Oct. 2	Sept. 15
National Brew.	50c	Oct. 2	Sept. 15
Do., pref.	44c	Oct. 2	Sept. 15
Ont. Loan & Deb.	$1.25	Oct. 2	Sept. 15
Ogilvie Flour, c.	25c	Oct. 2	Sept. 18
Ottawa L. & Pr.	25c	Oct. 2	Sept. 11
Do., pref.	$1.25	Oct. 2	Sept. 11
O'Brien Gold	10c	Oct. 16	Sept. 30
Powell Rouyn	5c	Oct. 16	Sept. 30
Prov. Paper, pref.	$1.75	Oct. 2	Sept. 15
Page Hersey	$1	Oct. 2	Sept. 18
Power Corp., pf.	$1.50	Oct. 16	Sept. 30
Do., 2nd pref.	75c	Oct. 16	Sept. 30
Pioneer Gold	10c	Oct. 2	Aug. 31
Petrol Oil	2c	Sept. 30	Sept. 15
Pickle Crow	10c	Sept. 30	Sept. 15
Porto Rico Pwr., p.	$1.75	Oct. 2	Sept. 15
Premier Gold	3c	Oct. 16	Sept. 18
Royal Crest Pete.	1c	Sept. 29	Sept. 21
Riverside Silk, A	50c	Oct. 2	Sept. 15
Russell Ind.	$1.75	Sept. 30	Sept. 15
Do., pref.	$1.75	Sept. 30	Sept. 15
Rem. Rand pf.	$1.12½	Oct. 2	Sept. 11
Do., c	20c.	Oct. 2	Sept. 11
Sangamo, c.	25c	Sept. 30	Sept. 25
Stand. Fuel, pf.	$1	Oct. 1	Sept. 15
Simon, H. & Sons	15c	Sept. 30	Sept. 16
Do., pref.	$1.75	Sept. 30	Sept. 16
Stedman Bros.	15c	Oct. 2	Sept. 29
Do., pref.	75c	Oct. 2	Sept. 20
Smith, H. Pap. pf.	$1.50	Oct. 16	Sept. 30
Sylvanite Gold	5c	Sept. 30	Aug. 19
Sundance Rylts.	▲	Oct. 3	Sept. 20
Sun Life	$3.75	Oct. 2	Sept. 15
South. Can. Pr., P.	$1.50	Oct. 16	Sept. 29
Stand. Steel, A pf.	75c	Oct. 1	Sept. 15
St. Law. Flour, c.	†50c	Oct. 2	Sept. 20
Sheep Creek G.	4c	Oct. 14	Sept. 30
Do., extra	1c	Oct. 14	Sept. 30
Sher. Williams p.	$1.75	Oct. 2	Sept. 15
Silverwoods, p.	20c	Oct. 2	Sept. 16
Tamblyn	20c	Oct. 2	Sept. 14
Do., pref.	62½c	Oct. 2	Sept. 14
Teck-Hughes	10c	Oct. 2	Sept. 8
Do., extra	3c	Oct. 2	Sept. 8
Three Point Pet.	1c	Sept. 29	Sept. 21
Tor. Gen. Trusts	$1	Oct. 2	Sept. 16
Toronto Mtge.	$1.50	Oct. 2	Sept. 15
Tip Top Tailors	15c	Oct. 2	Sept. 20
Do., pref.	$1.75	Oct. 2	Sept. 20
Traders' Bldg.	$1.50	Sept. 15	Sept. 13
United Fuel, A p.	75c	Oct. 2	Sept. 20
Viau, pref.	$1.25	Oct. 2	Sept. 20
Vulcan Brown	1c	Sept. 29	Sept. 21
Wabasso Cot.	25c	Oct. 2	Sept. 23
West Koot. Pwr., p.	$1.75	Oct. 2	Sept. 21
West. Assur., c.	$1.20	Oct. 2	Sept. 27
West. Grocers	75c	Oct. 15	Sept. 29
Do., pref.	$1.75	Oct. 15	Sept. 20
Weston, Geo., c.	20c	Oct. 2	Sept. 15
W'minster Paper	25c	Nov. 1	Oct. 15
Wilsil	25c	Oct. 2	Sept. 15
Wr.-Hargreaves	10c	Oct. 2	Aug. 25
Do., extra	5c	Oct. 2	Aug. 25

*Initial. †Bonus.

▲Rate not yet declared.

‡Capital distribution in accordance with plan to wind up company.

Winnipeg Stocks

(Transactions from Sept. 11 to Sept. 16)

	Sales	High for period	Low for period	Close Sept. 16
Beaver Lumber, c.	23	2.00	2.00	2.00
Do., pref.	5	95.00	95.00	95.00
Crescent Creamery, pfd.	24	8.00	8.00	8.00
Central Manitoba	2,000	.03	.03	.03
Federal Grain, c.	504	1.90	1.70	1.70
Do., pref.	118	25.25	23.00	25.25
Flin Flon	19,000	.01	.01	.01
Marvel Oils	500	.02	.02	.02
Mosher Long Lac	1,500	.09	.09	.09
Ore Grande	1,000	.03½	.03½	.03½
Sachigo River	118	7.50	6.50	7.50
Scotia Gold	10,000	.01¼	.01	.01¼
Star Lake	5,000	.00¼	.00¼	.00¼
Traders Building	50	55.00	55.00	55.00
United Grain	21	5.00	4.75	4.75
Western Steel	65	7.12	6.50	6.50
Western Grain, pref.	5	5.00	5.00	5.00
Wings	120	.30	.30	.30
Wingoid	500	.03	.03	.03

Stocks Not Traded in During Week*

	Bid	Asked
Beaver Fire	75	..
Can. Indemnity	125	..
Dom. Envelope	2	3
Do., pref.	94	96
Home Invest.	..	13
N. Can. Mtge., pf.	2½	..
North. Trust	..	7
West. Brew.	..	1.55
Rel. Grain, p.	..	35

*Stocks more active on other exchanges not included.

Volume of Stock Sales

	Montreal Markets Indust.	Montreal Markets Mines	Toronto Markets Ind. & Mines	Vancouver Markets Ind. & Mines
Sept. 19	39,600	41,700	199,000	96,122
Sept. 18	45,800	32,900	255,000	86,680
Sept. 16	31,200	41,300	235,000	94,185
Sept. 15	43,800	67,100	466,000	199,465
Sept. 14	51,700	112,200	479,000	306,955
Sept. 13	92,800	120,800	797,000	274,900

Investment Trusts

	Bid	Asked
Affiliated Fund	3.86	4.2
Can. Inv. Fund	3.75	4.2
Can. Amer. Trust	3.40	3.9
All Can. Trustee	11.00	11.7
Grouped Income	5.30	5.8
Trans Canada	11.75	12.5
Can. Int. Tr., com.	5.00	..
Do., pref.	6.50	..

Mining Dividends

		Close Sept. 18	Yield %
Beattie Gold	15c	1.00	15.0
Bralorne	80c+40c	10.25	*11.7
Buffalo Ankerite	$1	7.00	14.3
Bulolo Gold	$3	18.00	16.6
Can. Malartic	9c	.55	16.4
Cariboo Gold	16c+3½c	1.85	*11.6
Central Patricia	16c+5c	2.10	*10.0
Coniagas	25c	1.25	..
Coniaurum	15c	1.23	..
Cons. Smelters	$1+$1	45.00	*4.4
Dome Mines	$2	26.00	7.7
Falconbridge	30c	4.90	6.1
God's Lake	†5c	.40	..
Goldale	†2c	.15	..
Gunnar Gold	6c	.45	13.3
Hollinger	65c+45c	12.50	*8.8
Howey Gold	3c	.27	..
Hudson Bay	$1.50	28.00	5.3
Inter. Mining	40c	9.87	4.1
Inter. Nickel, com.	$2	44.50	4.5
Island Mountain	10c	.80	12.5
Kerr Lake	5c	.30	..
Kirkland Lake	8c+2c	1.14	*8.8
Kootenay Belle	16c+4c	.63	..
Lamaque Gold	40c+17c	6.20	*9.1
Lake Shore	$4	32.00	12.5
Lava Cap M.	11c	.70	..
Leitch	8c	.65	12.3
Little Long Lac	30c	2.50	12
Macassa	20c+7½c	3.80	*7.2
McGillivray Coal	3c	.21	...
McKenzie Red Lake	12c	1.08	11.1
McWatters	10c	.64	..
Moneta	12c	.80	15.0
McIntyre Porc.	$2	48.00	4.2
Nipissing	15c	1.18	..
Noranda	$4	69.00	5.8
North Empire	80c	7.75	10.3
O'Brien Gold	20c	1.80	..
Pamour Porc.	8c	1.75	..
Pato Cons.	10c	2.30	..
Paymaster	2c	.31	..
Perron Gold	16c+1c	1.56	*10.9
Pioneer, B.C.	40c	2.20	..
Pickle Crow	40c	4.00	10
Placer Develop.	$1.20	10.00	12
Premier	12c	1.25	9.6
Privateer Mine	20c+2c	.87	..
Powell Rouyn	†5c	1.59	..
Quebec Gold	†2c	.30	..
San Antonio	14c	1.55	9
Sheep Creek	16c+3c	1.10	*17.2
Silbak Prem.	12c	1.05	11.4
Siscoe	12c	.91	..
Sudbury Basin	5c	2.20	..
Sullivan Cons.	5c	.60	..
Sylvanite Gold	20c+5c	2.80	*8.9
Teck-Hughes	40c+5c	3.85	*11.7
Toburn	8c+6c	1.50	*9.3
Ventures	15c	4.15	..
Wright-Harg.	40c+30c	6.95	*10.1

*Yield including bonus. †Initial.

Corporation Bonds

(Supplied by Investment Dealers' Association of Canada)

Sept. 19, 1939

	Bid	Asked
xAbitibi P&P 5s, '53	58½	62½
Algoma Steel 5s, '48	103½	107½
xAlberta Pac Grain 6s, '46	93	97
xAssoc Tel & Tel 5½s, '55	75½	79½
Beauh Pwr 5s, '78	93	97
Br Col Pwr 4½s, '60	88	91
Br Col Tel 4½s, '61	97½	101½
xBrown Co. 5½s, '46	42	46
xCalgary Power 5s, '60	99	103
Canada Cement 4½s, '51	96	100
xCan Nor Pwr 5s, '53	100	104
Can S S Lines 5s, '57	84	88
Can Canners 4s, '51	96½	100½
xCan Int Paper 6s, '49	93	97
xCan Vickers 6s, '47	69	73
xCons Paper 5½s, '61	52	56
xDom Gas & Elec 6½s, '45	91	95
Dom Stl & Cl 6½s, '55	106	110
Dom Tar & Chem 4½s, '51	95	99
xDonnac'a Paper 4½s, '56	71	75
Famous Players 4½s, '51	89¼	93½
xFederal Grain 6s, '49	93½	97½
Gatineau Pr 5s, '49	96	100
Gatineau Pwr 3¾s, '69 B	90	94
Gen Steel Wrs 4½s, '52	90	94
xGr Lakes Ppr 5s, '55	83	87
xInter Hydro-Elec 6s, '44	81	85
xInter Power 6½s, '57	96	100
xKingston Elev 6s, '50	96	100
L St John P&P 5½s, '61	79	83
Maclaren-Que Pwr 4s, '59	86	90
Maple Leaf Mill 3-5½s, '58	69	73
Massey-Harris 4½s, '54	86½	90½
xMinn & Ont Ppr 6s, '45	39	43
McColl-Fron Oil 4½s, '49	89½	93½
N Scotia Stl & Cl 3½s, '63	83	87
Ottawa Val Pwr 5s, '59	97½	101½
xPower Corp 4½s, '59	90½	94½
Price Bros & Co. 5s, '57	89	93
Quebec Power 4s, '62	91	95
Saguenay Pr 4½s, '66 B	97	101
Shawgn W&P 4s, '61	91	95
Smith, Howard, 4½s, '51	97	101
Union Gas 4½s, '50	94½	98½
xWinnipeg Elec A 4s, '65	64½	68½
xWinnipeg Elec B 4s, '65	47½	51½

x—Payable New York funds.

DIVIDEND NOTICES

The Dominion Bank

Dividend No. 228

Notice is hereby given that a Dividend of two and one-half per cent upon the paid up Capital Stock of this Institution has been declared for the quarter ending October 31st, 1939. The dividend will be payable at the Head Office of the Bank and its Branches on and after Wednesday, the first day of November, 1939, to shareholders of record of the 20th October, 1939.

By Order of the Board.

ROBERT RAE,
General Manager.

Toronto, 14th September, 1939.

DIVIDEND NOTICE

The British American Oil Company Limited

NOTICE is hereby given that a dividend of Twenty-five Cents (25c) per share has been declared on the issued No Par Value capital stock of the Company for the third quarter ending September 30th, 1939. The above dividend is payable in Canadian funds, October 2nd, 1939, to shareholders of record at the close of business on the 16th day of September, 1939.

Share Warrant Holders will present coupons, Serial No. 38, to any branch in Canada of The Royal Bank of Canada, who will negotiate them at par, or at the London, England, branch of The Royal Bank of Canada, at the buying rate for sight exchange on Canadian dollars, on or after October 2nd, 1939.

H. H. BRONSDON,
Secretary.

Dated at Toronto, September 13th, 1939.

Hollinger Consolidated Gold Mines Limited

DIVIDEND NUMBER 323
EXTRA DIVIDEND NUMBER 56

A regular dividend of 1%, and an extra dividend of 1%, making 2% in all, have been declared by the Directors on the Capital Stock of the Company, payable on the 7th day of October, 1939, to shareholders of record at the close of business on the 23rd day of September, 1939.

DATED the 16th day of September, 1939.

I. McIVOR,
Assistant-treasurer.

NOTICE

O'Brien Gold Mines, Ltd.

(No Personal Liability)

DIVIDEND No. 2

Notice is hereby given that a Dividend of Ten Cents (10c) per share has been declared by the Directors of O'Brien Gold Mines, Limited (No Personal Liability), payable in Canadian funds on October 16th, 1939, to Shareholders of record September 30th, 1939.

By Order of the Board,

H. A. GREEN,
Secretary.

Ottawa, Ontario.
September 14th, 1939.

The Wabasso Cotton Company, Limited

Notice of Dividend

A dividend of twenty-five cents per share has been declared on the capital stock of The Wabasso Cotton Company Limited, payable 2nd October, 1939, to shareholders of record as at close of business on 23rd September, 1939.

By Order of the Board,

H. W. CAPEL,
Secretary-Treasurer.

Montreal, Que.,
14th September, 1939.

Brisk Buying By Consumers Now Reported

Slump Following War Outbreak is of Brief Duration

WANT STAPLE GOODS

Times have changed since 1914.

This was the way a Canadian businessman described the comparative steadiness with which the business community has taken the war. He expressed the opinion further that in the short space of time since Sept. 3, the mind of the Canadian people had adjusted itself to an extent that had taken many months in 1914.

A significant indication of the confidence with which corporations are facing the situation is the fact that advertising schedules are well maintained. The few places where there has been any tendency to reduce schedules have been in regard to goods likely to become scarce, because made in European countries now at war, where the industries concerned are expected to turn their activities to the making of war supplies.

This does not mean that business has not been unsettled. Merchants describe it as jumpy. But this jumpiness is not of a panicky nature as if in fear that the bottom was dropping out of things. Rather has it been due to a desire of many people to prepare for conditions which they know must come.

Slumps Then Jumps

This disposition has been reflected in the buying at retail stores. For the first few days after war was declared, business generally was reported in a slump. Then when the public had got a grip on itself householders started to buy. First stimulus behind this was the belief that prices were bound to rise and that it would be wise to lay in supplies ahead. There was a fear too, that has since proved to be unfounded, that there was likely to be a substantial increase in the sales tax. In some quarters local shortage was expected, particularly in such old wartime staples as sugar and flour, though also in regard to imports from abroad.

Foodstuffs have been in particular demand recently. Buying of such commodities as sugar was heavy. Many housewives, who have been buying sugar in 5 or 10 pound lots for years, began to order it by the bag, or even two bags. The same thing occurred in flour, in spite of the fact pointed out by some dealers that unless the housewife has proper facilities for storing flour, she is apt to suffer some loss before she can consume a barrel or even a large bag.

Soap in Demand

In the desire to ensure the cleanliness of the household housewives have also been buying soap heavily. One reason for this is that glycerine, which is a constituent of many kinds of soap, is also used in making explosives and a shortage was feared. Tallow also has advanced and this is also used in soap making.

There has been considerable buying of clothing. Announcement that the British Government had contracted for the total wool production of Australia was the main factor responsible. Shoes, too, have been bought freely. Householders also have been buying coal in much larger quantities than usual. Many who buy one ton at a time, at this season, have been laying in their whole winter's supply. Reason is that prices have already advanced slightly owing to the exchange situation and further advances are feared.

Luxury Goods Quiet

While buying of staples has been increased, that of luxury goods is reported to have fallen off.

Hardware dealers report business as holding up well. Changes in demand from one department to another are expected, however, as a result of war. For instance, some are looking for a slackening in the demand for builders' supplies while factory supply business is showing some improvement. The general volume, it is felt, will be maintained.

Generally speaking, no serious shortage of goods used in manufacturing is expected.

DIVIDEND NOTICES

The Toronto Mortgage Company

Quarterly Dividend

Notice is hereby given that a dividend of $1.50 per share, upon the paid-up Capital Stock of this Company, has been declared for the current Quarter, and that the same will be payable on and after

2nd October, 1939

to Shareholders of record on the books of the Company at the close of business on 15th instant.

By order of the Board,

WALTER GILLESPIE,
Manager.

7th September, 1939.

The Sherwin-Williams Company of Canada, Limited

Notice is hereby given that the One Hundred and Sixth Quarterly Dividend of One and Three-quarters per cent. (1¾%), being at the rate of Seven per cent. (7%) per annum for the Quarter ending November 30, 1937, on the Preferred Stock of the Company, has been declared payable to Shareholders of record the 15th day of September, 1939, and that cheques will be mailed October 2, 1939.

Books not closed.

By order of the Board,

P. W. HOLLINGWORTH,
Secretary-Treasurer.

Montreal, Que., September 7, 1939.

Provincial Paper Limited

Notice is hereby given that regular Quarterly Dividend of 1¾% on Preferred Stock has been declared by PROVINCIAL PAPER LIMITED, payable October 2nd, 1939, to Shareholders of record as at close of business September 15th, 1939, in Canadian Funds.

W. S. BARBER,
Secretary-Treasurer.

Toronto, Ontario.

New Officers Winnipeg Grain Exchange

GEO. S. MATHIESON
President

Mr. Mathieson is assistant manager and vice-president of Norris Grain Co. Has been associated with the grain trade for 44 years.

C. GORDON SMITH
Vice-President

Mr. Smith is a director of the Reliance Grain Co. From December, 1935, to July, 1937, was selling agent for the Canadian Wheat Board.

STEWART A. SEARLE
Vice-President

Mr. Searle is vice-president and treasurer of Searle Grain Co. Limited and has been actively associated with the company since 1921.

Farmers Want Old War Board

Demand For Compulsory System Grows in West

From Our Own Correspondent

OTTAWA.—Despite a widespread demand in western Canada for a compulsory wheat board, the Government has decided that unless some unforeseen development alters the situation there is no need at the present time to change the marketing system.

There is no finality in this decision. The Government realizes that the European picture may change over night. Indeed, it is learned that the regulations necessary to establish a compulsory board have been drafted, considered and approved. They could be proclaimed under the War Measures Act at a moment's notice. No reference to Parliament would be necessary.

The majority of farmers favor such a board and it is supposed that their views are based upon a recollection of the last war and the wheat board which paid them top prices.

Week in Wheat

Wheat Responds Slowly To War Market Forces

Factors Likely to be Important Not Yet Operative — Buying of Flour by Farmers Appears in Volume

From Our Own Correspondent

WINNIPEG.—The wheat market is slow in adjusting itself to the war situation, because the forces likely to be important are slow in asserting their strength. There is expected to be an enormously increased demand for wheat in Europe, because of the additional consumption and wastage by troops in the field, and because of the impossibility of maintaining normal production under war conditions.

Such demand, it is assumed, must be met from North America, because shipping will not be available to bring supplies from Argentina and Australia. For the moment there is no shortage, due to newly harvested crops and heavy arrivals of wheat from the southern hemisphere put afloat before the outbreak of war.

Actual buying for export shipment seems to be proceeding somewhat slowly on this continent, if for no other reason than that the transport of such wheat and its convoying to Britain and France have yet to be arranged and developed on a large scale. There has been some indication of urgent buying for Belgium and Netherlands, and the removal of the Belgian duty on wheat is one indication of the need for extensive imports whenever and wherever they can be obtained in those countries.

* * *

Demand For Flour

The most pressing buying, however, on this continent, has come from mills to satisfy the demands from buyers of flour, consumers, bakers and merchants, who are all anxious to lay in supplies before anticipated price rises should occur. Nowhere has that buying been more insistent than among farmers on both sides of the line, among whom the tradition that war inevitably means high wheat and flour prices is very strong. Bakers, too, hasten to protect themselves at price levels that will still make possible continuance of established price levels for bread.

That urgent buying has been met by a strong resistance to selling on the part of farmer holders of wheat, to be found in the United States and in Canada. The base, therefore, of the wheat market, both in Canada and in the United States has been enormously broadened by the willingness of both consumers and producers to hold stocks of wheat and flour.

* * *

Investment Buying

It has been broadened, too, by a certain amount of investment buying, but to a smaller extent than has generally been supposed. High margins imposed promptly at the outbreak of war by both Chicago and Winnipeg checked a great amount of buying that would have rushed promptly into the markets. Margins were relaxed, but still remain high, in both markets, but would-be buyers to a considerable extent, are taking more time to size up the situation. Moreover, experienced traders are taking some time to overcome their reluctance to be in a market so recently dominated by the holdings of the Governments of Canada, the United States and Argentina.

* * *

Government Policies

The United States Government is getting out of wheat. It has ceased its export subsidy programme, evidently regarding it as either futile or unnecessary at the present time, as an endeavor to raise domestic prices. Moreover, it is quite probable that price-increasing programmes will shortly be unpopular in the United States, in view of the outcry about increased costs of living that is already being made in cities as a result of rising prices. The Argentine Government is withdrawing, to the extent that its wheat board will buy no more wheat from farmers, those who have not already sold to the board having to take whatever the market will offer. What that is likely to be, is highly uncertain, until it is established what shipping space, and what rates are likely to be available for Argentine wheat. On the other hand, the Australian Government is now in the market, having commandeered all remaining supplies of Australian wheat to be handled through a government pool. That is not surprising, as it was in Australia, that that particular method of handling wheat developed during the last war. When shipping became scarce increasing difficulties were met in disposing of the crop and a decline in Australian acreage took place during the war.

* * *

Exchange Control

Market observers were, for a day or so, somewhat concerned as to the possibility of the new exchange control regulations interfering with the transaction of business on the Winnipeg Grain Exchange. It was feared that there might be hesitation on the part of purchasers in the United States to operate in Canada, and that in consequence spreading transactions between Winnipeg and Chicago which frequently give breadth to the Winnipeg market, might be checked. The censensus of opinion now appears to be that untoward effects need not be expected, and that business may even be facilitated on account of greater stability in exchange rates.

Respective values of United States and Canadian wheat are difficult to arrive at. Apparently they are both in competition now for both belligerent and neutral markets, and should attain substantially equal prices, taking into account both differences in quality and in exchange rates. But Canadian wheat should perhaps be worth more than U. S. wheat, because of the special demand from Great Britain. It seems inconceivable that any amount of essential funds should be squandered by Great Britain on the purchase of U. S. wheat, when they are badly needed for other purposes, and when Canadian wheat can be obtained. As an offset, U. S. wheat, and especially U. S. flour, can probably find some markets, and some shipping, not available to Canadian wheat. The U. S. is a stronger holder than Canada, because so large a part of total supplies will be absorbed in domestic consumption and normal carryover, and farmers will probably want to carry over unusually large quantities in the hope of larger prices next year.

Company Reports

Acme Farmers Dairy

Acme Farmers Dairy Ltd., subsidiary of Eastern Dairies Ltd., reports an improvement of $5,932 in operating results for the year ended March 31, 1939, but because of higher provision for depreciation net loss was increased to $69,392 from $61,940.

Lower prices for butter resulted in a loss in profit from this source, according to the president, W. R. Aird. Decrease in the price for this product had the effect of decreasing cost of fluid milk purchased, which partially offset decreasing earnings from butter operations. Prices of powdered milk by-products declined and export market was abnormally low.

Sales tax on ice cream is particularly burdensome, Mr. Aird states in the report.

Income and Surplus Account
Years Ended March 31

	1939 $	1938 $
Operating profit	98,954	93,189
Add: Inc. from invests.	......	550
Total income	98,954	93,738
Less: Deb. interest	49,000	49,000
Exec. remun.	9,140	9,808
Legal fees	......	648
Directors' fees	780	180
Depreciation	109,426	96,042
Net loss	69,392	61,940
Add: Prior yr. adj.	......	500
Less: Prev. surplus	333,404	395,844
Prior yr. adj.	253	......
Surplus forward	264,265	333,404
Working Capital		
Current assets	186,866	200,565
Current liabilities	197,085	214,060
Excess of curr. liabs. over curr. assets	10,219	13,495

Toronto Elevators

Toronto Elevators Ltd. experienced substantially better earnings in the year ended July 31. The company was able to report net earnings of $310,702 during the year, as against a net loss of $228,570 in the previous year.

Net profit of $138,912 in the 1939 fiscal year was equivalent to $1.16 on 52,318 shares of no par value common stock outstanding, compared with deficit earnings of $6.39 in the preceding year.

This marked improvement was due to the larger volume of grain handled by the company's elevators, G. C. Leitch, president, states in the annual report. In view of the large crops in western Canada this year, and increased grain movement showed during the year, and the company is looking for "satisfactory" results, he states.

In addition to improvement of working capital, amounting to $118,316, the company reduced its loans from the city of Sarnia $39,456 to $455,295 and spent $16,466 on fixed assets.

Following are important balance sheet items compared:

Balance Sheet Items

	1939 $	1938 $
Inventories	4,812,848	519,716
Bank loans (sec.)	3,925,000	565,000

Cons. Income and Surplus Account
Years Ended July 31

	1939 $	1938 $
Net earnings	310,702	*228,570
Less: Depreciation	118,652	......
Bond interest	25,274	27,127
Income taxes	27,864	......
Net profit	138,912	*255,697
Less: Pref. divds.	78,405	78,718
Com. divds.	......	52,318
Surplus for year	60,507	*386,733
Add: Prev. surplus	193,253	493,524
Trans. for gen. res.	......	100,000
Prof. on pref. red.	1,849	387
Less: Cap. assets loss	......	13,925
Surplus forward	255,609	193,253

*Loss or deficit.

Working Capital

	1939 $	1938 $
Current assets	5,768,048	1,435,476
Current liabilities	4,982,099	767,843
Working capital	785,949	667,633

B. C. Power

Net profit of British Columbia Power Corp. in the year ended June 30, 1939, was equivalent to $2.05 a share. This is one cent a share more than in the previous year.

Gross revenue showed considerable improvement, principally due to increased power, light and gas revenues. However, net revenue available for interest and dividends was slightly less. Apart from an increase in provision for depreciation, the improvement in gross revenue was absorbed by the increased cost of operation, maintenance and taxes.

Expenses of operation and maintenance increased $343,000, of which $119,000 was in part due to additional cost of gas production owing to repairs being carried out at the company's main plant.

Funded debt shows an increase of $98,520 to $38,497,625.

Working capital declined during the year from $1,488,896 to $705,681.

Cons. Income and Surplus Account
Years Ended June 30

	1939 $	1938 $
Oper. revenue	15,395,710	14,993,244
Invest. income	45,532	64,067
Total revenue	15,441,242	15,037,311
Less: Oper. expenses	7,943,982	7,573,821
Exec. sal. & legal fees	85,240	102,500
Directors' fees	21,000	21,000
Prov. for accidents	125,000	108,000
Income taxes	943,266	926,433
Deprec. & renewals	1,927,153	1,868,988
Net earnings	4,395,601	4,456,509
Less: Bond interest	1,631,574	1,643,610
Bond discount	60,854	79,980
Exchange	......	39,852
Subsid. pref. divds.:		
5% preferred	349,200	349,200
6% preferred	300,000	300,000
Net profit	2,053,973	2,043,867
Less: Class A divds.	2,000,000	2,000,000
Surplus for year	53,973	43,867
Add: Prev. surplus	1,205,908	1,305,631
Less: Deprec. pr. yrs.	143,497	143,590
Balance forward	1,117,384	1,205,908

Working Capital

	1939 $	1938 $
Current assets	4,448,698	5,109,497
Current liabilities	3,743,017	3,620,601
Working capital	705,681	1,488,896

DIVIDEND NOTICES

Montreal Tramways Company

DIVIDEND NOTICE

NOTICE is hereby given that a dividend of ONE DOLLAR AND FIFTY CENTS ($1.50) per share, for the quarter ending September 30th, 1939, has been declared upon the paid in Capital Stock of the Company, to Shareholders of record on Tuesday, the 3rd day of October, 1939, at 4 o'clock p.m. and payable on Saturday, the 14th day of October, 1939.

By order of the Board.

PATRICK DUBEE,
Secretary-Treasurer.

Monday, September 18th, 1939.

McWatters Gold Mines

Limited

DIVIDEND NO. 4

NOTICE IS HEREBY GIVEN that a dividend of Ten Cents (10c) per share on the issued Capital Stock of the Company has been declared payable October 10th, 1939, to shareholders of record at the close of business September 30th, 1939.

By order of the Board.

C. F. TUER,
Secretary-Treasurer.

Haileybury, Ontario, Sept. 15th, 1939.

McWatters Gold Mines

Limited

DIVIDEND NO. 5

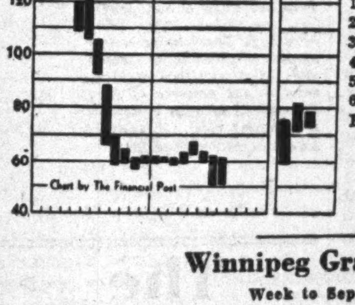
NOTICE IS HEREBY GIVEN that a dividend of Ten Cents (10c) per share on the issued Capital Stock of the Company has been declared payable January 15th, 1940, to shareholders of record at the close of business January 5th, 1940.

By order of the Board.

C. F. TUER,
Secretary-Treasurer.

Haileybury, Ontario, Sept. 15th, 1939.

Wheat Prices



	For Week Sept. 19 High	For Week Sept. 19 Low	Prev. Week High	Prev. Week Low
1 Hard	.77⅝	.74⅝	.82	.72½
1 Northern	.77⅝	.74⅝	.81½	.72
2 Northern	.74⅞	.71¾	.78½	.69⅝
3 Northern	.73	.69⅞	.74¾	.67
4 Northern	.68½	.65⅜	.67¼	.62
5 Wheat	.62	.58⅜	.61¼	.54½
6 Wheat	.58	.54⅜	.57¼	.50½
Feed Wheat	.57	.53⅜	.56¼	.49½

Winnipeg Grain Futures

Week to Sept. 19, 1939

Crop year from Aug. 1, 1939 High	Low		Open Sept. 13	High for week	Low for week	Close Sept. 19	Close year ago
		Wheat					
.84	.50¼	Oct.	.72⅛	.79⅞	.72⅛	.74⅝	.63⅞
.85⅝	.51⅝	Nov.	.75½	.81¼	.75⅜	.76¼	.64⅛
.85	.51½	Dec.	.74	.81⅝	.74	.76½	.63½
.88	.54⅞	May	.78	.85⅞	.78	.80¾	.6⅝
		Oats					
.45⅝	.26⅝	Oct.	.37⅝	.40⅛	.36⅝	.36½	.29½
.40	.34¼	Nov.	.....	.39	.36⅞	.36⅞	.....
.41	.26⅛	Dec.	.37⅛	.39¼	.35¾	.35¾	.28½
.45¾	.27½	May	.37¾	.40⅛	.36¼	.36¼	.30¼
		Barley					
.50⅝	.33½	Oct.	.46⅞	.50⅛	.46⅞	.47½	.35⅝
.50	.32⅝	Oct. (new)	.45½	.49½	.45½	.47⅛	.....
.53	.45	Nov.	.....	.46½	.46½	.46½	.....
.49⅝	.32⅝	Dec.	.45¼	.49¼	.45¼	.46⅝	.35½
.51⅝	.33⅝	May	.47½	.51	.46⅞	.47½	.37⅛
		Flax					
1.72	1.26¼	Oct.	1.65	1.72	1.65	1.67	1.36
1.64	1.55	Nov.	....	1.64	1.62	1.64	....
1.64	1.23¾	Dec.	1.59	1.64	1.59	1.62½	1.35
1.69	1.54	May	....	1.69	1.60½	1.69	....
		Rye					
.60⅝	.36½	Oct.	.53⅜	.60⅜	.53⅜	.58	.40¾
.62½	.52	Nov.	.....	.57¾	.56	.57¾	.....
.61	.37½	Dec.	.55	.60⅝	.55	.57⅛	.41⅝
.65	.40	May	.58	.63	.57⅛	.59⅝	.43⅝

Little Grain At Vancouver

War Expected to Divert Most of Crop Eastward

From Our Own Correspondent

VANCOUVER.—The Pacific coast's grain trade, which last year showed an advance of 300% in volume, is now at a standstill, with small hope of doing any more than an insignificant amount of business during the present crop year.

The war, of course, is the cause. The recent order of the Wheat Board in ordering the diversion eastward of a large quantity of wheat that would ordinarily have come to Vancouver is an indication of what may be expected during the period of Canada's engagement in the war.

War risks point inexorably to the shorter ocean route for Canadian wheat and flour destined to Great Britain and the Allies. There may be some exceptions with regard to supplies to neutral countries; in fact, about the only grain business booked here since the outbreak of the war has been to neutrals.

Protests Silenced

The war has automatically silenced the protests of Vancouver's Mayor Lyle Telford that this port was not securing its fair share of Canada's grain trade. The market is now governed, as always, by the laws of supply and demand, but now the fundamental operations of those laws are more readily explained. It does not require much argument to show that British buyers, for instance, would rather book their orders for transport across the Atlantic by convoy rather than risk the longer haul through the Panama Canal.

May Get Convoys

Of course, a convoy system for the Pacific and up from the Panama Canal may soon be established, in which event a certain amount of wheat will move through this port. In any event it would be logical to expect that the Wheat Board would at least fill up the terminal space here and elevator interests on the coast will press for that.

"It is going to cost the board a lot of money to ship wheat eastward when it has a freight differential favoring Vancouver," remarked a grain man. "But it would cost a lot more if wheat shipped to Vancouver had to be hauled all the way back across the continent or sold at ruinous rates on the coast."

Elevator Space Tight In West

Congestion May Be Serious Unless Exports Increase Soon

From Our Own Correspondent

WINNIPEG. — Elevator space in western Canada is beginning to be congested, and will be seriously so, very soon, unless there is an acceleration of clearances from Canada. Such movement be expected whenever bulk movement of shipments, across the Atlantic, becomes well organized, under convoy. But demand for lake freights has not yet been strong enough to bring the whole Canadian lake fleet into action, although it is expected that some of the large vessels, still tied up to docks, will shortly be placed in service.

Business at and through Vancouver is practically at a standstill. Apparently Alberta grain, of which a large part usually moves to market through Vancouver will have to be shipped almost altogether by the eastern route, a fact which places a greater prospective task on railways and lake head elevators than they have had to undertake for a long time.

Commodity Prices

Commodity prices following the first upsurge after the outbreak of war have become somewhat irregular although advances are still in the majority. Wheat, cattle, hogs, hides and silk are all higher. There is no immediate shortage of wheat, but possibility of reduced supplies is seen in Europe, before many months pass. Shipments from Austrialia and the Argentine are likely to be restricted by enemy submarine activity. This will mean that Canada, being nearer to the United Kingdom, will be called on to supply a greater part of its needs.

In cattle, hogs and hides available supplies are not believed overplentiful. Silk, while not a war material, is working into a stronger position on this continent, as deliveries from Japan are likely to become scarcer, owing partly to war conditions in the Orient, and also to the coming end of the British and American trade treaties with Japan.

Rubber while a war material is affected adversely as far as prices are concerned by the fact that the supply quota can be increased within reasonable limits. Supplies of sugar, too, are considered ample. Copper has been steady in response to British trade regulations.

	Latest week	Previous week	Same week last yr.
Cattle	$8.25	$7.50	$7.00
Hogs	9.50	9.00	10.10
Copper, lb.	.12½	.12½	10¼
Cotton, lb.	.0920	.0935	.0825
Rubber, lb.	.2225	.23	.1608
Sugar, Raw, lb.	.0369	.0380	.03
Silk, lb.	3.15½	2.87½	1.76½
Wheat, Man. (bu.)	.75⅝	.74⅝	.64⅝
Coffee, lb.	.05¼	.05¼	.05½
Hides	.15	.14	.11
Weekly Indices			
Canada (D.B.S.)	75.9	72.8	74.0
Do., Wood, Gundy	65.5	60.3	56.0
U. S. Labor	78.4	75.3	77.9
Dow Jones (future)	59.27	58.46	47.53
Fishers'	82.5	80.2	80.7
Monthly Indices			
Canada (D.B.S.):			
Retail (July)	83.1	82.9	84.2
W'sale (July)	72.6	73.3	78.6
U. S. (June)	75.6	76.2	78.3
Gt. Brit. (July)	98.1	98.1	100.6

Note: The base of indices is that 1926 equals 100. The British index is Board of Trade converted to 1930 base.

Base of price quotations is as follows: Cattle — Steers, good, over 1,050 lb., top price, Toronto. Copper - electrolytic, New York. Silk — Crack db., 13-15 New York. Sugar — 96 degrees centrifugal c/f New York. Wheat—No. 1 Man. North., Ft. W.-Pt. A. basis. Hides — No. 1 packer light.

N. M. PATERSON & COMPANY LTD.
Own and Operate
One Terminal Elevator in Fort William
109 Country Elevators
Total Storage Capacity 6,925,000 bus.
31 Vessels on the Great Lakes
Total Carrying Capacity 4,500,000 bus. per trip
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Insurance

Land War Risk Insurance Cover Is Better Defined

Two Separate Contracts Available, One Giving Protection Against Damage from Open Hostilities, the Other Against Malicious Damage

Canadians fearing that their property may be damaged by enemy action can now obtain war risk insurance under clearly defined contracts. The Canadian Underwriters Association has just issued a circular to its members setting forward the general principles under which this insurance is available. While there is some variation in policies issued by different groups such as non-tariff, mutual companies, etc., the general principles in the main are more or less similar.

In the first place, there are two different kinds of hazards. One of these is from open enemy operations such as a bombing raid, bombardment or it might be from land operations if an enemy force should make a landing some place. Then there is the damage which might result from the action of one or more individuals acting in a non-military capacity as agents of a foreign enemy. This is known as malicious damage.

Different Kinds of Danger

One of the points to be remembered in connection with this distinction is that while the hazard of malicious damage is present in all parts of the country, that of open hostilities or bombardment occurs in varying degree. For instance, a waterworks plant or a factory located in Winnipeg or Regina is not so likely to be attacked by enemy airplanes or bombarded by enemy guns as a plant at Halifax, Saint John or Sydney.

On the other hand the enemy working under cover who places a bomb in a factory or power plant may be found anywhere in the country.

Accordingly two contracts have been approved for use by the tariff companies, the Open Hostilities or Bombardment Policy and the Malicious Damage cover. The latter is not a distinct policy but may be given only by the attachment of a special revised malicious damage endorsement to fire or riot and civil commotion insurance policies. This endorsement is not added directly to these policies but to certain supplemental contracts which can be taken out in addition to the main policy.

The open hostilities or bombardment policy excludes loss caused by persons resident or secretly in the country and acting as agents or in the interests of foreign enemies.

Two Zones

The association has divided the territory over which it has jurisdiction into two zones: A, being that portion of Quebec province from Quebec city east, and B, the remainder of Quebec province and Ontario.

The contracts in general are understood to be fairly well in line with those agreed on by the Explosion Conference of New York.

Underwriters point out, however, that the regulations arrived at are of a temporary nature only and liable to immediate change.

Marine War Risk Rates Doubled For Coast Trade

Marine underwriters evidently feel that there is a very real danger of enemy submarines operating in North American coastal waters. Accordingly they have doubled the war risk insurance rates for cargoes being carried on ships between ports on Canada's Atlantic coastline as well as Newfoundland. The rates have also been doubled for cargoes on other than neutral ships going to any part of the North American coastline. The rate is now 50 cents per $100 of cargo value. The former rate of 25 cents per $100 remains for cargoes on neutral vessels if going from one neutral port direct to another neutral port.

Shippers to or from Canadian ports using water routes cannot afford to take anything for granted these times as regards marine insurance rates. Underwriters, while quoting rates which have been agreed on, state plainly that they are liable to be changed or withdrawn without notice.

During the week some changes have been made downward. The highest rate of 7½% is now charged only on cargoes coming from or going to the Irish Free State and the continent of Europe between Ostend and Bergen but not east of Malmo. A week ago cargoes to the Mediterranean, Black Sea, Sea of Marmora and shipments to Australasia and the Far East via the Mediterranean carried this rate.

The extent to which rates have risen becomes evident when the current rate of 5% or $5 per $100 of cargo value on shipments to the United Kingdom and France is compared with the rate of 15 cents per $100 prevailing a few weeks ago.

Another development this week is that, whereas Canadian marine underwriters were formerly making no distinction between British and French shipping on the one hand and neutral ships on the other, they do quote a different rate now. For instance, on cargoes from Canada to the Irish Free State, and Europe between Ostend and Bergen if carried in British or French ships, the rate is 7½%, but if carried in neutral ships from neutral North American ports to a neutral port in the same part of Europe the rate is 5⅝%. It is provided, of course, that there will be no intermediate calls at enemy ports. The difference between the rates charged on cargoes on British and French ships and that charged on cargoes on neutral ships between neutral ports ranges from ½ of 1% to 2%.

Insurance Problems

Damage by Stolen Car

Please give me your opinion on the following case: Mr. A leaves his ignition keys in his car and it is stolen by two drunks. Driving it they collide with another car owned by Mr. B. Mr. A carries public liability and property damage insurance. Is this insurance effective under the conditions? Would A's action in leaving his keys in the car be a factor in making him partly responsible for the theft of his car?

The fact of A leaving his ignition key in the car is not a factor in the case. It may have been careless of him to do so, but in law such action is not regarded as either an invitation to the thieves to steal the car, nor as authority for them to take it. The fact that the damage was done by A's car after it had been stolen and was being operated without his consent means that the insurance is not effective. This is laid down in Section 198 of the Ontario Insurance Act which states that the insurance is only operative when the car is driven by the owner or by somebody in possession of the car with his consent. Nor is A liable. B's only recourse is to sue the thieves who stole the car.

Superintendents Change Convention to September

The 1940 convention of the Provincial Insurance Superintendents will take place in Saskatoon the week of September 16, according to an official announcement by Hartley D. McNairn, Superintendent of Insurance for Ontario and president of the Association. This is the first time for some years that the meeting has taken place in September. It has been customary to hold the convention the week after the meeting of the Canadian Bar Association in August. This was felt to be inconvenient for many of insurance executives.

Mr. McNairn himself had made the suggestion of holding the convention later in the fall, and, at the last annual meeting in Montreal, W. E. D. Baldwin, manager for Canada of the American Fire Group, asked the superintendents as a body to consider a change of date. He pointed out that July and August were usually regarded as vacation months in the insurance offices, and with skeleton staffs it was often difficult for the company manager to get away.

The Association hopes that with the convention being held in September the fire and casualty managers will be able to arrange their western trips to be able to attend in large number.

Term Insurance Again Selling

Subject to Usual War Premium — Surcharge Liable to Change

Term insurance is again being written by the life companies in Canada, after being temporarily discontinued just at the outbreak of war. Some companies never did cut it out entirely, although underwriters were told to discourage their clients taking it. Now, however, term insurance is being sold in about the usual proportion.

Term policies are subject to the same war clauses as the ordinary level premium contracts. At present a number of companies are charging an extra premium of $75 per $1,000 insurance. This is a little higher than the initial war premium charged at the beginning of the previous war.

One feature of the present situation, it is pointed out, is that the war premium is liable to change from year to year. For instance, a person taking out a policy now pays no war premium as long as he stays in Canada or Canadian coastal waters, even though he may be in the army or the naval service. As soon as he goes overseas, however, he is subject to an extra premium, whether he goes as soldier, sailor or civilian. The extra premium that he will pay will cover him for that year, but the next year it is possible it may be higher or it might even be lower.

Bank of Canada Weekly Statement

Investments of the Bank of Canada in Dominion Government bonds increased about $11 millions during the week ended Sept. 13, the weekly statement shows. Possibly the move was to give support to the high-grade securities market and to keep interest rates from advancing too far. The bank's reserves of gold also increased by about $4 millions largely due to the further decline in the Canadian dollar. Reserves of United States and sterling currency were also higher, evidently due to the premium on New York funds, which would more than offset the decline in reserves of sterling.

On the liability side, note circulation again increased by $5 millions reflecting the increased demand for cash. Deposits of the Dominion and of the chartered banks with the central bank were also higher.

Balance Sheet

	Sept. 13 1939 $	Sept. 6 1939 $
Liabilities		
Capital paid-up	5,000,000	5,000,000
Notes in circ.	193,536,270	188,609,882
Rest fund	1,903,515	1,903,515
Depos.: Dominion .	53,039,817	41,522,337
Banks	200,209,532	195,634,133
Other	11,753,095	13,050,811
Total deposits	265,002,444	250,207,281
All other liabs.	7,280,179	5,900,411
Total liabs.	472,722,408	451,621,089
Assets		
Reserve: Gold	225,418,339	221,571,831
Res. in sterling and U. S.	59,616,197	51,861,438
Other curr.	141	322
Total reserve	285,034,677	273,433,591
Subsidiary coin	345,190	379,914
Investments:		
Dom. govt. short .	120,894,492	117,776,304
Other Dom. govt. .	61,497,622	53,492,458
Total invest.	182,392,114	171,268,762
Premises	1,660,436	1,660,435
All other assets	3,289,991	4,878,387
	472,722,408	451,621,089
Reserve ratio	61.16%	62.31%

Staff Changes

The Bank of Nova Scotia announces the following staff changes:

J. B. TARLTON, to be manager, Campbellton, N.B.

W. H. S. RITCHIE, manager, Campbellton, N.B., retires on pension.

J. R. CURRY, to be manager, Haymarket Square, Saint John, N.B.

T. H. MILLER, to be acting manager, New Richmond, Que.

H. J. JOHNSON, to be manager, Stellarton, N.S.

The Royal Bank of Canada announces the following staff changes:

C. H. CAMPBELL, to be manager, Pakenham, Ont.

E. G. GRONING, manager, Paris France, to be manager, Buenos, Aires, Arg.

R. G. HUGHES, manager, Guysboro, N.S., to be manager, Westville, N.S.

R. F. LEAVITT, manager, Westville, N.S., to be manager, Guysboro, N.S.

R. A. SUTCLIFFE, Pakenham, Ont., retires on pension.

Banking

Central Bank To Help Meet Demand For Credit

May Lend to Commercial Banks on Security of High-grade Investments or May Buy Bank's Holdings for Cash

Canadian chartered banks are facing with equanimity the problem of financing the expansion in trade and industry expected as a result of the war.

Conditions on this occasion are much different from 1914.

When the first great war broke out, people were afraid; not of the result of the war from a military point of view but from a financial and industrial one. Withdrawals of deposits at first were heavy. Current loans fell sharply from $840.1 millions at the end of July, 1914, and the decline continued irregularly for almost two years. In July, 1916, they were almost $740 millions. Then they began to increase and by December that year were up to $813 millions. By Demember, 1917, they were $858 millions and by November, 1918, the month the war ended, over $1 billion.

Profit by Experience

Both bankers and the public now have experience to fall back on, a condition entirely lacking in 1914. The country is much better developed. Financial resources are greater. Manufacturers are prepared to go into the production of war equipment and munitions. Some were already busy on orders when the war started. In 1914 there was practically nothing of this kind. It appears to have been well on in 1915 before manufacturing of munitions in a big way was noticeable.

Financial machinery in 1939 too is much more efficient than in 1914. Canada now has a central bank "to regulate credit and currency . . ., to control and protect the external value of the national monetary unit and to mitigate, by its influence, fluctuations in the general level of production, trade, prices and employment."

The relative position of the chartered banks may be judged by the fact that total assets of $3.5 billions on this occasion compare with $1.5 billions in 1914. Among the assets in Canada are three main items, cash $266.4 millions, loans in Canada $998.4 millions and investments of $1.5 billion.

Present loans, it is expected, will be left undisturbed. The banks say they are unwilling to call any outstanding loans, as long as they are adequately secured. No good object would be attained by calling in a loan from one essential industry and lending the money to another.

Present cash reserves and more will probably be required for till money and circulation among the public.

To sell the large holdings of investments on the open market would only break prices and upset public confidence.

It seems probable that the Bank of Canada will come into the picture here. It may step in and buy such investments as the chartered banks may want to turn into money. The Bank of Canada would in that case pay for them with new Bank of Canada notes. This would give the chartered banks the required funds for loaning without throwing the investments on the open markets and thereby breaking the price.

Then another way of expanding the cash of the chartered banks was explained by Graham F. Towers in his evidence before the Banking and Commerce Committee of the House of Commons. The process he described was as follows: Suppose the Bank of Canada decided to expand the commercial banks' cash by, say, $10 millions. And suppose the central bank's gold ratio was at the legal minimum of 25%. The bank would buy $2.5 millions of gold. It would also buy $7.5 millions of Dominion of Canada bonds say at par. In each case it would pay with new Bank of Canada notes. At the end of the transaction there would be $10 million more Bank of Canada notes in circulation for which the Bank of Canada held in reserve the legal minimum of 25% gold. The new Bank of Canada notes paid out for the gold and for the Government bonds would probably either be deposited at once or put into circulation. The bulk of those circulated would probably find their way back to the chartered banks in the way of deposits. As Bank of Canada notes are cash, this would increase the chartered banks' cash by $10 millions. Of this amount they would have to set aside $1 million as a reserve against the $10 million of new deposits. The remaining $9 millions would be available for making loans or buying investments. If the $9 millions paid out as loans or for investments came back again to the bank as deposits it would make it possible to repeat the process, only this time 10% of the $9 millions, that is $900,000, would have to be kept as reserve. The balance, $8.1 million, would in turn be available for further loans or deposits. This process could be carried on, the amount of loans and investments on the assets side of the bank's accounts and deposits on the liability side each time being increased 9/10 of the previous amount until there would be nothing left for a cash reserve. A necessary condition, of course, is that the public is willing to redeposit with the chartered banks the money that has been paid out to it. Eventually the result of the Bank of Canada increasing its cash $10 millions would be to increase the public's deposits with the chartered bank $100 millions.

If the 25% minimum gold reserve ratio clause were suspended, or if the Bank of Canada bought additional gold by the payment of new Bank of Canada notes there is no limit to which the process of expansion could go.

Obviously it would have to be handled carefully as the process contains the elements of inflation.

Another way which has been suggested by some is that the chartered banks would borrow from the Bank of Canada on the security of the investments they now hold.

The Bank of Canada Act provides that the central bank can make direct loans to a chartered bank, or to Quebec savings banks, on the pledge by the borrowing bank of high-grade securities.

There is another way of raising money open to the commercial banks. They could take the notes they hold from a farmer, merchant, or manufacturer against loans, and discount them at the Bank of Canada. This also is allowed under the Bank of Canada Act, provided that the note discounted is endorsed by the chartered bank which discounts it.

Bankers with whom this possibility has been discussed, however, do not seem to think that it would be resorted to in any great volume.

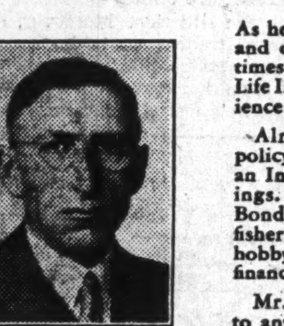
The $1.5 billion of investments, it is felt, is ample to supply the demand for loans. As a matter of fact the demand from industry even if developing faster than on the previous occasion, may not be materially felt for some time.

Meanwhile, of course, the movement of a 450-million-bushel crop will require a considerable amount of credit.

Weekly Bank Clearings

	Sept. 14 1939 $	Change Year Ago %	Sept. 7 1939 $
Halifax	2,392,834	+3.5	2,509,387
Saint John ..	2,094,385	+19.9	1,695,665
Moncton	788,468	+13.8	794,975
Sherbrooke .	708,794	—2.0	641,217
Quebec	5,747,988	+2.9	4,381,286
Montreal ...	105,009,561	+4.9	133,850,475
Ottawa	18,095,435	+16.4	24,783,798
Kingston ...	601,288	+12.9	581,061
Peterborough	614,239	—2.7	534,061
Toronto	122,582,032	+24.7	101,519,401
Hamilton ...	5,316,296	+11.5	4,819,188
Kitchener ...	1,098,931	—6.1	988,024
Brantford ..	875,730	+14.4	814,676
London	2,434,904	—0.3	2,484,354
Chatham	573,833	+9.2	419,987
Windsor	2,635,803	—1.2	2,127,120
Sarnia	456,216	+6.6	512,014
Sudbury	1,104,095	—1.1	854,536
Winnipeg ...	82,268,126	+26.8	88,634,079
Fort William	824,853	+30.0	626,284
Brandon	436,608	—15.5	455,046
Regina	8,338,648	—9.1	6,703,697
Moose Jaw .	811,106	—3.6	694,525
Prince Albert	357,808	+12.6	321,218
Saskatoon ..	1,427,720	+2.4	1,443,147
Edmonton ..	3,975,713	—0.7	3,775,652
Calgary	5,415,199	—12.1	4,784,325
Lethbridge .	698,760	—6.2	638,146
Medicine Hat	315,755	—5.6	289,972
N. W'minster	694,089	+19.5	622,574
Vancouver ..	16,961,218	—5.4	16,154,964
Victoria	1,873,705	+13.7	1,599,250

"..and then I'm going fishing!"
Says National Life Policyholder



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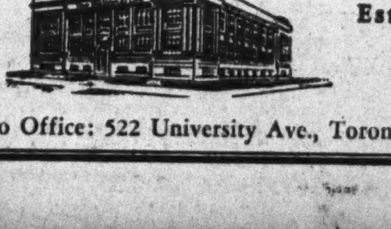

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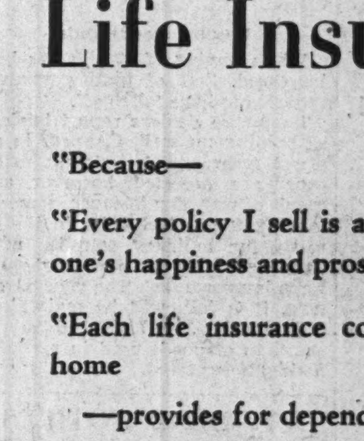

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Canada's $15 Million Tobacco Belt

Three Thousand Farmers in Southwestern Ontario Supply Over 80% of Canada's Cigarette Tobacco

By GORDON L. SMITH
Staff Writer, The Financial Post

Tourists travelling along the highway between the towns of Simcoe and Tillsonburg in southern Ontario see a crop they will not find in volume anywhere much farther north than old Virginia. It is bright leaf tobacco. Twenty years ago it was a novelty, almost a freak, about as common as peanuts or sweet potatoes which in certain very favorable seasons can be grown in a few isolated and warm spots in Canada.

But while peanuts and sweet potatoes still remain a precarious novelty, tobacco is now firmly established. It is the main crop for over 3,000 farmers in Norfolk and adjacent counties. It brings in a gross cash return of over $15 millions annually.

Major Cash Crop

Fifteen million dollars for any crop put it in the major class. This is more money than is received for Canada's fruit and vegetable crop, more than for wheat in Ontario. Tobacco is the greatest single cash crop produced in Ontario. By cash crop your average farmer means something that he sells directly in contrast to such things as hay, oats, and corn which are really raw materials for producing milk, or eggs or livestock.

But the total value of the Ontario tobacco crop is only one reason why it is important and worthy of widespread attention. The wealth produced is concentrated in one small area, it is noncompetitive with other agricultural products and it is essentially new wealth of a permanent nature. These points are worth more detailed explanation.

Growing is Concentrated

Of the $19.5 millions of tobacco grown in Canada last year $18.2 millions or over 90% was produced in Ontario. And of that $18.2 millions well over $15 millions came from farms within a 20-mile radius of Delhi, boom town midway between Tillsonburg and Simcoe. Eighty per cent of our tobacco is grown by the 3,000-odd farmers who specialize in tobacco, nearly 20% from large-scale tobacco company farms with at least 200 acres or more in this one crop.

There may be some disadvantages in such concentration but there are definitely some very great advantages, too.

About the only danger from the concentration, and it is not so great as might be imagined, would be the loss from unfavorable weather. Naturally in an area so limited as Ontario's tobacco belt, there can be little variation in ordinary weather. Dry weather for one grower almost certainly means dry weather for all. The same is true of an early frost. But southern Ontario, is not often bothered with either very wet or very dry weather.

Drought in the western sense of the word is not experienced more than once in a whole generation.

Advantages of Concentration

Hail, of course, is one real source of worry, but this unlike weather as a whole, is extremely local. One narrow strip may be hit, while a few hundred yards away the crop comes through unscathed. Moreover, with hail it is possible to secure special insurance and more growers are taking this precaution.

The other real hazard of concentration, plant disease does do some damage, though the area is still too young to be seriously threatened.

Against these real and potential dangers of concentrating a crop in one small area there are big compensations.

Our present acreage of bright leaf, or flue-cured tobacco as it is usually termed, runs between 50,000 and 60,000 acres. Suppose instead of concentrating this in one small corner of Ontario by a miracle of soil and climate we were able to spread this over the whole Dominion. Under such conditions central growing, curing, grading and marketing would be impossible.

There could be no real market. Tobacco growing would still be the primitive home industry it remained from the days of the French regime until a few farsighted men like the Gregorys, Henry Freeman and W. L. Pelton took hold of it about 25 years ago. With a widely scattered acreage, moreover, there could not have been the vast and speedy improvement that was absolutely vital in securing a big market.

No Ordinary Crop

Tobacco is no ordinary commercial product like rubber, copper or wood. It is temperamental. Color, flavor, texture and aroma must be just right or it is practically worthless. It is not a food product but is fully as sensitive.

One drop of kerosene in a gallon of milk will ruin its sale so far as human consumption is concerned. The kerosene doesn't hurt the food value of the milk in the least, it might even improve it, but flavor is spoiled. Tobacco is just the same. If everything is right, it is worth from 20 to 25 cents per pound, if one thing is wrong it is practically unsaleable.

When Ontario first started growing flue-cured tobacco in a big way after the war, growers were right up against this peculiar, temperamental quality. Without concentration, which permitted quick dissemination of information and volume use of fertilizer and spray materials, there could have been no quick improvement. The bulk of the growers were able to get together with buyers, curers, other experts and immediately co-operate to produce a type of tobacco suited to the domestic and export market.

One cannot change the tobacco tastes of the consumer overnight. It is a long and gradual process. So growers and curers took the easy and practical way and concentrated efforts in giving the great mass of consumers a type of tobacco to which they were accustomed. This was a mild, flue-cured tobacco almost identical with that produced in Virginia. About 80% of all the tobacco grown in Canada is of this type, the balance, largely Burley, a darker leaf, being grown about 50 miles around Chatham, west of the flue cured belt and in some small areas in Quebec and British Columbia.

To produce the Virginia type it was necessary to get seed of this variety, produce strains suited to the Canadian climate, then cure it the Virginia way. This meant the erection of special drying kilns all through the tobacco belt, the importation of expert curers from the tobacco belt in Virginia and the Carolinas.

Big Acreage Expansion

Having organized their industry to produce the kind of tobacco the market demanded, expansion was rapid. Total acreage in 1927 was approximately 7,500. Two years later it had doubled, by 1933 it had doubled again and by 1937 it had reached almost 50,000. At that figure capable of producing a $15 millions crop in an average year, the flue-cured industry started settling down. There has been some increase since 1937, but the big expansion seems to be over, for the simple reason that domestic markets are about as fully supplied with domestic leaf as can be expected and the limits of the original flue-cured tobacco acreage appear to have been reached.

Although the commercial tobacco growing in Canada dates back scarcely 25 years the history of the crop commenced almost with the first settler. The French colonists introduced it somewhere around 1700. It was first grown near Quebec City and as a matter of record it is still grown in that district in small amounts. Around what are now the cities of Windsor and Detroit, French settlers also grew some tobacco and here they found that the warmer climate and longer growing season produced a much better yield than on the banks of the St. Lawrence.

From Primitive Beginnings

All of this early growing was primitive. There were nothing but a few local patches and curing was done in the farm kitchen. And in this stage tobacco growing remained until less than 40 years ago. Then around Windsor in the most southerly district of all Canada, farmers again started to experiment with the weed made famous by Sir Walter Raleigh.

These people believed that their peculiar location and their unusual soil was destined to grow crops out of the ordinary. They had already introduced corn from the southerly central states across the line. They had experimented with millet, melons, peanuts, sweet potatoes, even cotton. They decided to expand tobacco. The type used was the dark Burley, largely a pipe tobacco.

Started With Burley

Gradually, after many mistakes a small industry was built up and growers and curers began working together. This little industry was established before the Great War and with varying fortunes has carried along since. There have been a few booms, when prices of tobacco rose to very high heights during and after the war and there have been slumps. Today Canada produces about 10 to 12 million pounds of Burley on an acreage of approximately 9,000 to 10,000 acres.

Burley tobacco, however, has practically no place in the story of the new tobacco belt.

On the richer land of Norfolk and adjacent counties there was some Burley grown between 1920 and 1925. The crop, did not do as well as on the richer soil farther west and south, and in any case the market had difficulty enough in absorbing the Burley already grown without new areas coming into production.

War Boosted Consumption

During the war consumption of tobacco jumped. Main reason that women had decided to smoke. At the same time tastes shifted. Prior to the war most tobacco used in Canada and Great Britain was of the pipe variety, with cigars next and cigarettes considerably behind. When women started smoking in a general way, they adopted the cigarette and during the same period most of the millions of young soldiers in the Allied Armies, also preferred their tobacco in this form. This meant a big increase in the demand for light, bright, flue-cured tobacco, no increase at all for the darker pipe and cigar types. Hence, when farmers in the Simcoe-Tillsonburg area began flirting with the idea of tobacco growing they were advised to try the flue-cured type.

Enter Flue-cured

Now this flue-cured or bright-leafed tobacco is fussy about the soil requirements. It does best when grown in a sandy top soil which lies over a bed of clay. The sand on top is warm, absorbs the huge quantities of fertilizer necessary to feed the tobacco plant and it is easily worked. But sand alone dries out quickly and tobacco in common with all tall plants consumes prodigious quantities of water. This is where clay comes to the rescue. This fine heavy soil will absorb and hold water like a sponge, especially when protected from the direct rays of the sun by a layer of sand. In the old south of the United States where flue-cured tobacco has been grown for centuries, this is the kind of soil where the best crop is produced.

Science Plays Part

Now here is where the scientist comes in.

Canadian agriculture just after the war was in a slump. There were huge surpluses of wheat, butter, wool, meat, practically everything that the Canadian farmers had been urged to produce in greater and greater quantities during the 1914-1918 struggle in Europe. The bottom dropped out of prices in 1920. Times were tough, especially for farmers on light soil which never did grow big yields of ordinary staples like grains. In the light soil areas in Norfolk and adjacent counties conditions were especially difficult.

With a view to determining just what this light soil might produce more profitably, the Ontario Agricultural College undertook a survey. Strangely enough it was found that the land which grew but indifferent crops of buckwheat, rye and potatoes, was almost identical with the best flue-cured cigarette tobacco soil of Virginia. This discovery coincided with the great switch in the public's tobacco taste.

The flue-cured tobacco industry had begun.

Early progress was not smooth. It was one thing to discover that flue-cured tobacco could be produced in Ontario, it was another to locate a market.

Overexpanion Ends Slump

Prices between 1927 and 1930 averaged well above 30 cents. Then came a slump. By 1932 farmers could only get 16 cents a pound for their crop and there was an unsold surplus in the following year of between eight and nine million pounds. This collapse was mainly caused by production expanding too fast in relation to the size of available markets and more or less haphazard methods of marketing.

Like every other quick growing industry, agricultural or rural, main trouble seems to have been overoptimism. Growers actual and prospective thought they had discovered a gold mine.

Here was land that could have been bought easily for ten dollars an acre a few years previously, now growing a crop worth gross from $200 to $300 per acre. They forgot that it costs at least 15 cents a pound to grow the leaf, aside from general overhead. Naturally land buyers flocked into the area, naturally farmers expanded acreage without a thought to markets or costs.

Inevitable Reaction

Two inevitable reactions followed: Too much crop for the market to handle and much too high a percentage of low quality tobacco, the result of careless growing and curing methods.

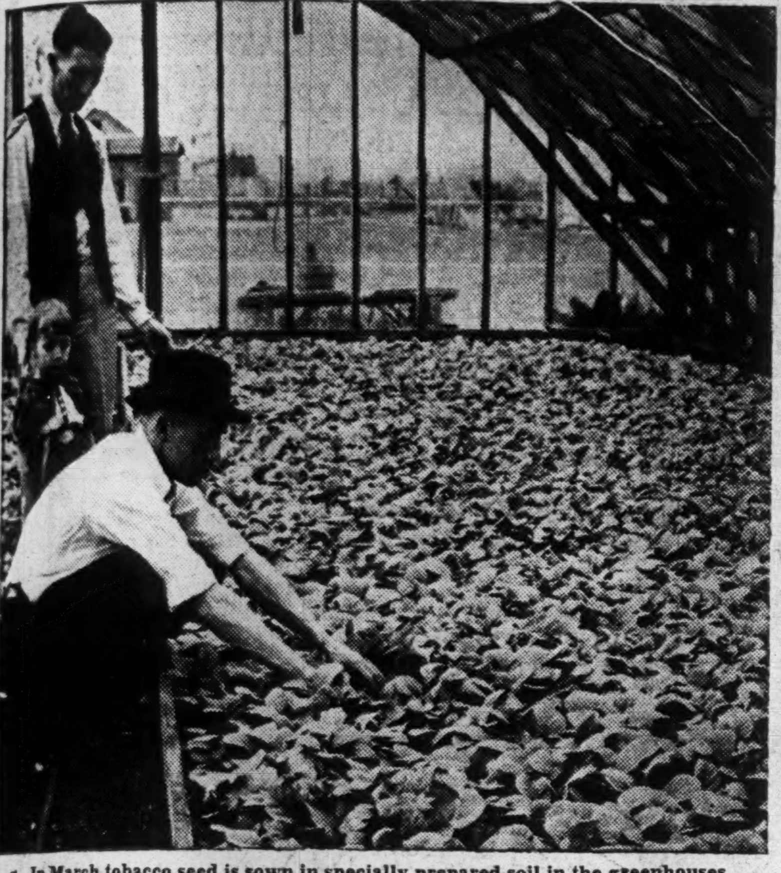
In the spring of 1934 a determined attempt by buyers, growers and government officials was made to reduce acreage. A meeting was held in Toronto, to put this plan into effect. By co-operation a reduction of 25% was made in the 1934 acreage from that planted in 1933. A marketing scheme was organized in the fall of 1934 under the Natural Products Marketing Act and this scheme was reorganized in 1936 along similar lines as a mutual marketing association of buyers and growers combined known as the Ontario Flue-Cured Marketing Board.

Marketing Simplified

Working of this plan is extremely simple. There are only half a dozen main tobacco buyers in Canada. They purchase all the leaf required for the domestic crop, and handle practically all the exports. These men prefer to come to one place to discuss the whole market situation and determine by negotiations a minimum average price for the total crop. It is easier, simpler and cheaper that way. Then they go from farm to farm and make their purchases. After all the price of the raw leaf is incidental, amounting to about 1¾ cents for each 25-packet of cigarettes. The buyers figure how much tobacco they can handle, the representatives of the growers meet with them and translate this into acreage. This acreage they divide among the growers. Later growers' representatives and buyers agree upon a minimum average price.

While there have been some complaints even the critics admit that the present marketing arrangement has worked extremely well and to the general profit of the whole industry. The co-operation of growers, manufacturers and buyers has resulted in Canadian tobacco capturing 85% of the domestic market or practically all available, because some tobacco not grown in Canada must be imported for blending purposes.

In addition the central growers organization in co-operation with the big tobacco companies, has also succeeded in building up increasingly large exports of flue-cured tobacco. All of this is in sharp contrast to the situation of 15 years ago. Then less than 30% of the tobacco consumed in Canada was home grown and there was no export at all of flue-cured cigarette tobacco.

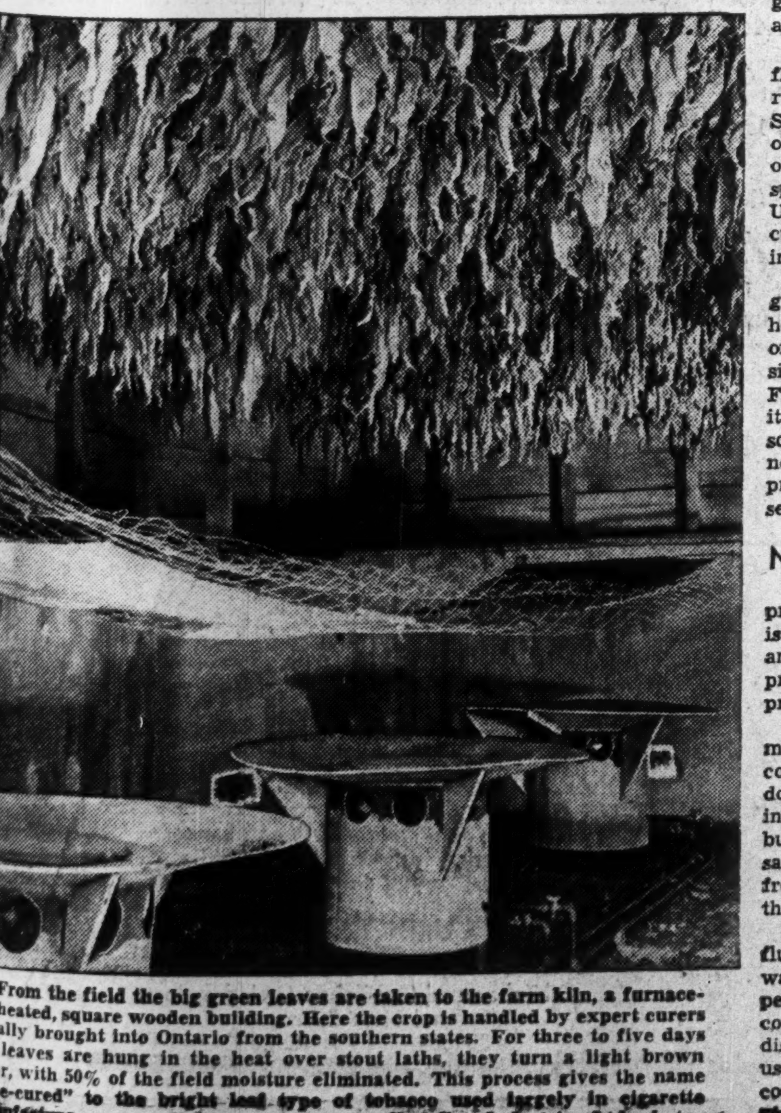


1 In March tobacco seed is sown in specially prepared soil in the greenhouses, which are found on every tobacco farm. After developing their second leaves, the young plants, still under glass, are transplanted into flat boxes, where they have more room. When all danger of frost is over in late May they are set out in the fields. *Canadian Industries Ltd. photo.*

2 Planted outside in rows about four feet apart by manually operated seeding machines the crop grows rapidly. During this period it is pushed along by fertilizer and frequent cultivation and protected from insect pests and disease. An immense amount of hand labor is required. In background are seen the farm kilns where the bright leaf tobacco is cured.

3 Here is a specimen of a well-grown tobacco leaf, broad, moist, a dull green, undamaged by hail, disease or insect. At harvest time, late August to mid-September, some 15,000 extra hands are hired to strip the leaves, the three largest at the bottom of the plant being taken in each picking.

Canadian Industries Ltd. photo.

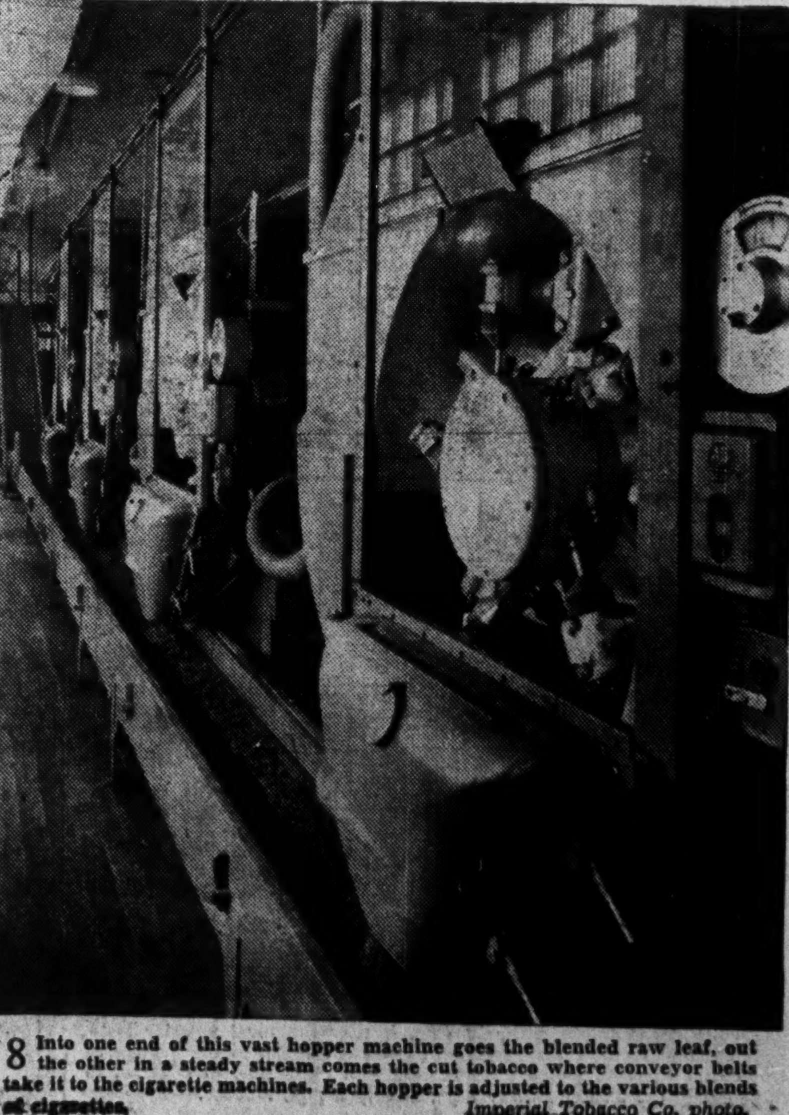


4 From the field the big green leaves are taken to the farm kiln, a furnace-heated, square wooden building. Here the crop is handled by expert curers usually brought into Ontario from the southern states. For three to five days the leaves are hung in the heat over stout laths, they turn a light brown color, with 50% of the field moisture eliminated. This process gives the name "flue-cured" to the bright leaf type of tobacco used largely in cigarette manufacture. *Canadian Industries Ltd. photo.*

5 From the kilns the flue-cured tobacco is taken in loosely packed bales to the central grading plants of the big tobacco companies. Here it is sorted, graded and weighed, and each farmer's lot paid for accordingly. Delivery starts as soon as the harvest has been put through the farm kilns.

6 About 5,000 people are employed by the half dozen central grading and packing houses in the tobacco belt of southwestern Ontario. Employment starts as soon as the harvest has been completed and continues usually until early spring. The rest of the year most of these people find steady jobs in growing, harvesting and curing work.

7 After grading and sorting the tobacco is put through another curing process and then packed under pressure in large hogsheads. Here it remains ageing and curing for about two and a half years, going through a two months sweat in the hogshead each summer. The crop now being bought will not be blended for smoking until 1942.



8 Into one end of this vast hopper machine goes the blended raw leaf, out the other in a steady stream comes the cut tobacco where conveyor belts take it to the cigarette machines. Each hopper is adjusted to the various blends of cigarettes. *Imperial Tobacco Co. photo.*

Pay Out Millions Annually For Labor and Supplies

Tobacco Growers Are Big Buyers Of Fuel, Glass, Lumber, Fertilizer

Canadian industry is enriched each year by over $4 millions from the expenditure of the Ontario flue-cured tobacco growing interests, according to an estimate by The Financial Post. This amount is over and above the annual wage bill and profit returns to plantation owners.

Wages are estimated as taking about 40% of the total monetary value of the crop. On last year's crop of $15 millions, therefore close to $6 millions would have been paid in wages which with $4 millions paid out for supplies and equipment means $10 millions distributed from a cultivation of a total area of 70,000 acres.

Owing to the fact that the Ontario tobacco growing industry has only recently reached its present proportions, there is a dearth of statistics as regards expenditures. But estimates based on the main items of an average well managed farm indicate the above figures to be fairly close.

Concentrated

The 70,000 acres under tobacco in Ontario are all located in a few counties north of Lake Erie, so that the money spent on wages circulates in a relatively small section of the country. Merchants and manufacturers there profit accordingly.

Total investment in buildings; kilns and greenhouses—is asessed at $13 millions. This is exclusive of land and machinery, horses and other movable property.

Railroad traffic in the district has been stimulated enormously. You can't grow and ship 70 million lb. of tobacco a year without giving the carriers some business.

Industries which share in this distribution of money include machinery, coal, fuel oil, gas, lumber, paper, cordage, chemicals, construction, fertilizer, glass and steel. Every time you buy a package of your favorite brand of cigarettes a portion of the price goes to these various branches of activity for wages, purchase of raw materials, payment of freight, etc. Four million dollars is a lot of money to be expended in a quiet Ontario countryside.

From the time it is sown, till the matured plants are harvested and cured and shipped away to the manufacturers, expert care and handling is required. Thus from the hot bed to the ash tray almost, tobacco is the subject of extreme if not necessarily loving care.

Must Spray

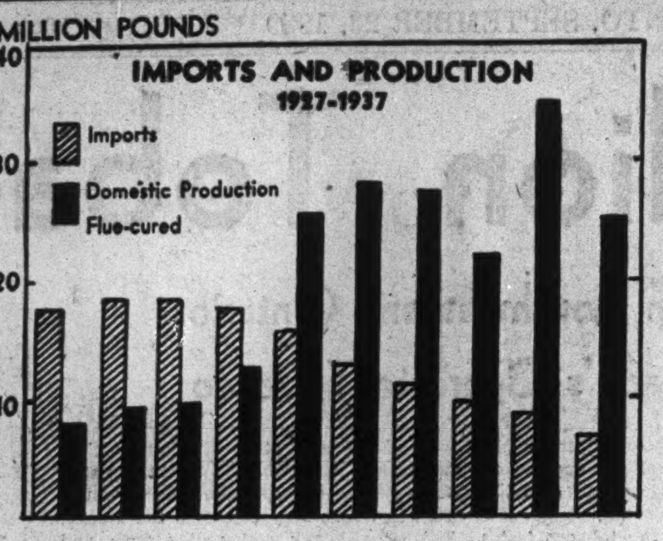
As the seed is planted first in greenhouses, care has to be taken that the soil is free of parasites which might attack it. Even then, the flavor of the fragrant weed which every smoker knows is important is being formed. This requires the use of either steam to kill the parasites or certain kinds of insecticides.

While the plant is growing it also has to be sprayed. A rough estimate places the amount of money spent each year on insecticides at $60,000.

But the seed and the growing plants require plenty of fertilizer. While ordinary barnyard manure is used to some extent, the bulk is high grade commercial products. The money spent for fertilizers is estimated at around $1 million yearly.

Greenhouses Costly

The greenhouses themselves are usually constructed of wood and glass. These cost about $750 each. Greenhouses themselves are really a capital expenditure but each year there is a certain amount of replacement. Glass breaks. Wood rots or warps. The average expenditure on these products is difficult to estimate owing to the fact that the men in the industry themselves are apt to lump these costs together in one item. Yearly replacements have not been kept separate from the quantities used in construction of new greenhouses. Some idea of what the total is, can be had, however, from the fact that one hardware man in the tobacco district last year reports selling 40 carloads of glass for greenhouses.



Imports of raw tobacco have declined in direct proportion to the increased production of domestic flue-cured tobacco plus exports. Once Ontario growers had demonstrated that they could produce a bright leaf flue-cured product as good as that formerly imported in heavy volume from the southern states a domestic market equal to over 75% of Canadian consumption was gradually opened to them. Due to the sensitiveness of smokers' tastes, however, the change had to be made gradually as the chart clearly indicates.

Transplanting of the young plants is another operation requiring the expenditures of considerable money. It is done by manually operated machines.

Each machine costs about $100 and plants in the neighborhood of five acres a day. As the planting has to be done in a relatively short time some 2,700 machines are required. They are worked by three men or boys and plant one row at a time. They dig a trench, deposit the young plants in the trench and at the same time shoot in a quart of water to give it adequate moisture to start with. Once they take root, they have to be cultivated regularly to keep down the weeds. Cultivators, too, cost money, and all machinery has to be replaced from time to time and repaired.

When the leaves have grown to maturity they are pulled from the plant and put in the kilns to cure.

These kilns are specially built affairs. Some are of wood, some are of metal. The average cost of an efficient kiln is at least $500. As one kiln will only treat the crop from 5 acres, there are required through the whole tobacco growing area over 10,000 units representing a total investment of $5 millions.

In recent years a number of tobacco growing firms have found it advantageous to insulate their kilns to make it easier to get them up to the required temperatures. Thus another sizeable supplies bill is created.

These kilns are heated by furnaces which cost about $100 to $125 each. The heat is carried through by metal tubes which wear out fast and have to be replaced frequently. The furnaces are heated by different kinds of fuel, wood, coal, gas or oil. Wood is cheaper but oil is preferred by some operators. Total expenditures for fuel vary greatly owing to the efficiency of the kilns and the size of the crop cured.

Heavy Fuel Costs

Estimates of the total value of fuel used range from $250,000 to $350,000. Here, however, there is some difficulty in arriving at a definite estimate, as some operators owning a good wood lot use it for fuel at a very little outlay.

The tobacco on the kilns is hung over sticks, similar to ordinary lath. These are placed on racks one above the other up to the top of the kiln. Millions of these are used throughout the industry. Theoretically they are supposed to last for years. As a matter of fact the wastage is very high. Annual expenditure on them is estimated at $60,000.

Water is an important item for greenhouse growth. Each farm has to have its own supply.

Power Bill Heavy

Farm work is carried on by horses and mules mainly, with some tractors being used. Investment in transport animals in the aggregate runs close to $760,000. There is a replacement each year of about 10% or $70,000. Feed for them is grown by some of the tobacco farmers so that accurate calculations of the cost is difficult to make. Total cost, however for hay and oats, etc., runs into thousands. Trucking charges to market would be another item.

Insurance companies share, too, in the wealth distributed from the tobacco growers. There are two insurable hazards to which the grower is subject. These are hail and fire. With the 70,000 acres of tobacco growing land spread over several counties, the hail hazard varies materially and, of course, the premium rates do accordingly. An average year's premiums, however, on 30 acres of tobacco would be about $240, which means that $300,000 to $400,000 are expended annually in hail insurance premiums which helps agents in the towns and villages who write the insurance and the companies carrying the risk. Fire insurance premiums are estimated as totalling $200,000. A nice bit of business to come from a small corner of rural Ontario.

Tobacco Towns

Municipalities in Flue-cured Tobacco Belt, Growing and Prosperous

Within and around Norfolk County, Ontario, the flue-cured tobacco industry flourishes. Population is approximately 32,000, but this is subject to considerable variation because of the character of tobacco cultivation. The greatest proportion of the population lives in the rural areas.

Collection of taxes has been exceptionally good in Norfolk County. Debenture debt is moderate, totalling $200,074, or approximately $7.50 per capita. Roads, the county's principal responsibility, are excellent. It is expected that debt charges of the county will be steadily reduced.

Simcoe

Simcoe, with a population of 6,114 is the largest municipality in the district and commercial clearing house for much of the flue-cured tobacco growing industry. Because of tobacco the town has enjoyed a good measure of prosperity.

Debenture debt in relation to population and assessed values in the town is favorable. During 1938 debenture debt outstanding was reduced $38,784 to $418,726. Expenditures of $198,011 exceeded revenues by $1,676.

Collection of taxes has been excellent. In 1938, the town was able to obtain 99.55% of current revenue, while collection of both current taxes and arrears to current levy was 101.75%. In 1937 collections were also very good.

Total assessed value of real property was $4.4 millions at the end of 1938. The town comprises an area of 749 acres.

Mayor is Robert S. Vance, and clerk and treasurer, W. D. Stalker.

Tillsonburg

Tillsonburg, on the western end of the flue-cured belt, is also a clearing house. In addition to tobacco it is contiguous to a rich farming and dairy territory.

The town comprises 1,600 acres and its trading area extends 16 miles in each direction, serving a population of approximately 20,000.

In 1938 population of the town was 3,945, showing steady growth since the 1931 census, when population totalled 3,385.

Only a small proportion of the population is on relief and the town possesses a good degree of financial stability. In 1937 $92,788 was levied in taxes for all purposes, equivalent to $24.24 per capita. There was 93.6% of current levy collected during the year, and collection of current levy, and arrears amounted to 99.8% of current levy.

Tax arrears were relatively small at the end of 1937, amounting to $3.21 per capita. Total debenture debt at that date was $298,209, or $77.90 per capita. Taxable debt charges will undergo steady reduction, according to the town's schedule of debt retirement.

Delhi

The village of Delhi is the centre of the flue-cured tobacco growing district. Its debenture debt is relatively small in terms of assessed values and population.

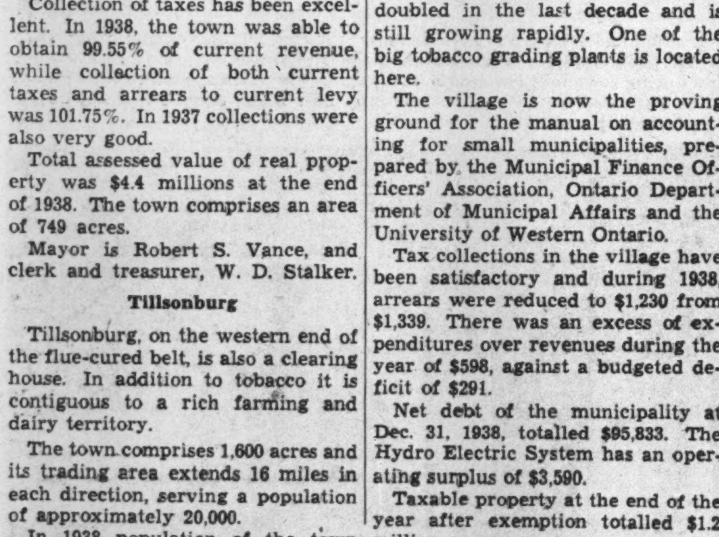
While debt is small it is probable that the village will be called upon to make expenditures of approximately $200,000 on a sewage and water plant as population has doubled in the last decade and is still growing rapidly. One of the big tobacco grading plants is located here.

The village is now the proving ground for the manual on accounting for small municipalities, prepared by the Municipal Finance Officers' Association, Ontario Department of Municipal Affairs and the University of Western Ontario.

Tax collections in the village have been satisfactory and during 1938, arrears were reduced to $1,230 from $1,339. There was an excess of expenditures over revenues during the year of $598, against a budgeted deficit of $291.

Net debt of the municipality at Dec. 31, 1938, totalled $95,833. The Hydro Electric System has an operating surplus of $3,590.

Taxable property at the end of the year after exemption totalled $1.2 million.



Total Canadian tobacco consumption has remained fairly constant in the last 10 years, though the forms in which it is used have changed. Cigarette consumption, still growing, is now the most popular form. This switch in public taste has been of chief benefit to the grower of flue-cured tobacco, which goes largely into cigarettes, in contrast to the darker Burley type, mainly a pipe tobacco.

THE SIMCOE REFORMER
"Norfolk's County Newspaper"

Having the largest circulation among tobacco growers of any newspaper in the flue-cured belt of Southern Ontario, The Reformer is recognized as "The Voice of the Tobacco District."

The Reformer is FIRST with authoritative information on Crops, Markets, Prices and all other conditions affecting TOBACCO.

Published at Simcoe, County Town of Norfolk,
Twice-A-Week, Monday and Thursday

SWORN CIRCULATION 5,600

PEARCE PUBLISHING CO. LTD.
PROPRIETORS

Share Cropping Is Prominent

Sharecropping, at one time almost entirely confined to western Canada, is widely adopted in the tobacco area of southwestern Ontario. In fact, the bulk of the 60,000 acres of crop grown, is handled in this fashion. Practically all the corporation or syndicate farms grow their tobacco on a share basis and nearly all the farmer owners of fields of any size, as well.

Division of costs and profits is simple.

The sharecropper provides all labor and 50% of the costs of current materials, such as fertilizer, fuel, twine, etc. This means that the sharecropper is responsible from the time the seed is given him until the crop is sold from the kiln. The landowner or syndicate supplies everything else, land, buildings, equipment, fertilizer and half the cost of current materials.

Proceeds from the crop are split fifty-fifty. .

The landowners' costs are fixed or practically so. Before the seed is even sown he knows within a few dollars what these costs will be.

The sharecropper on the other hand, has a certain amount of variation. If he has a large family, and many of them have, then he need not go outside for as much of his labor, and it will depend on his skill and timeliness in cultivating, spraying and harvesting as to how big a crop will be produced, and how high it will grade.

SIMCOE

Ontario's Most Rapidly Growing Town, Situated in the Heart of the Rich Norfolk Tobacco Belt

DURING the past fifteen years the population of this progressive Norfolk County Town has increased fifty per cent. In that period, too, Simcoe has made remarkable progress in the way of industrial expansion, improvement of its downtown business area, beautification of its streets and parks and the extension of its public services and utilities. As the centre of the flue-cured tobacco industry it has enjoyed a prosperity unrivalled by any other community of relative size in the Province of Ontario.

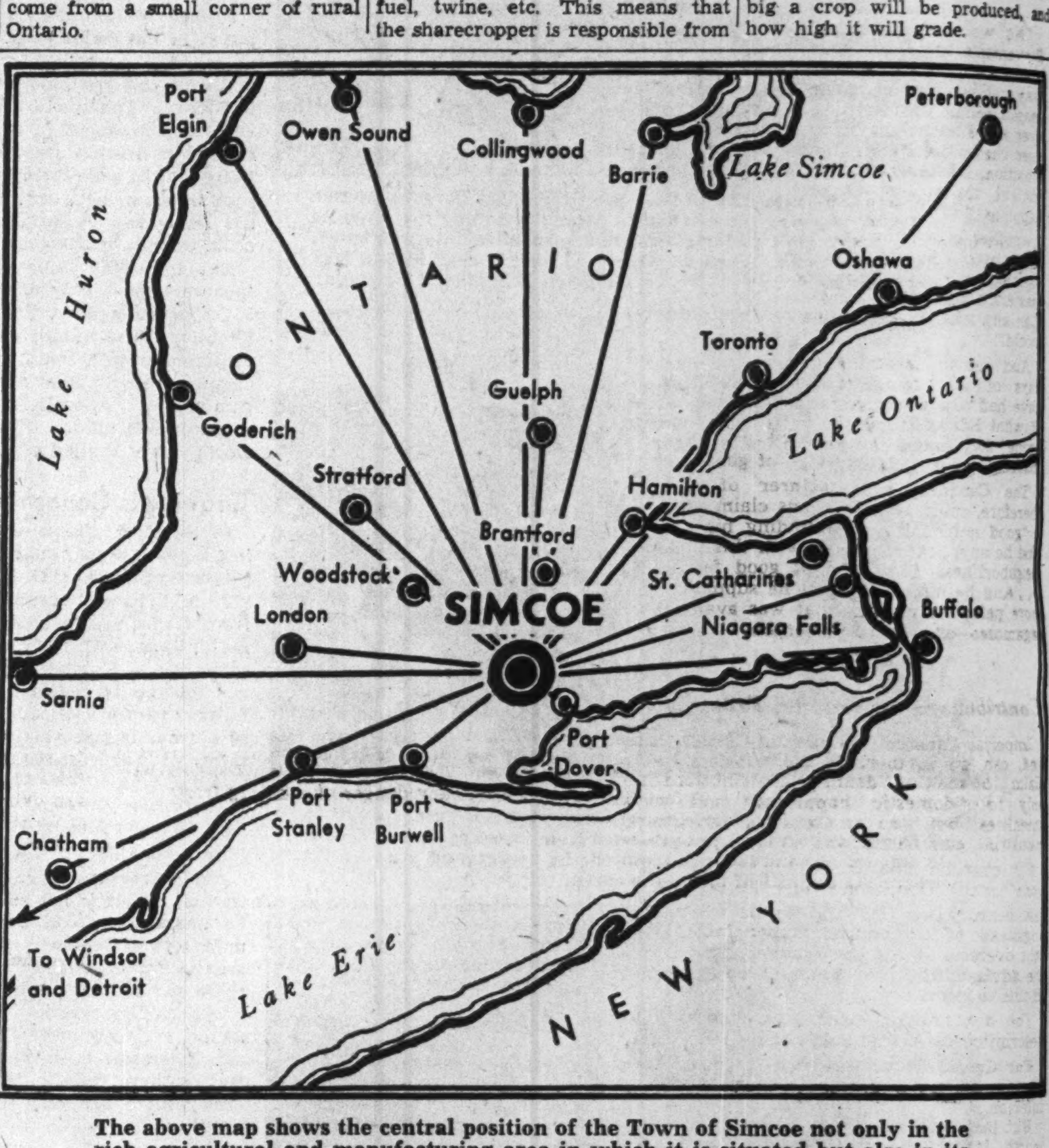
MANUFACTURING

Simcoe not only is the centre of one of the most productive and progressive agricultural districts in Ontario—indeed in the entire Dominion. High living standards of the many thousands of people in the district and their consequently substantial buying power have made it a manufacturing centre as well. For in addition to many industries operating in connection with the agricultural products of the area, numerous others have chosen Simcoe owing to the obvious advantages it offers as an industrial location. These include textiles, machinery, lumber, etc.

TRANSPORTATION

First-class transportation facilities, by rail and highway, are available at Simcoe "where the railways and the highways meet." Three divisions of the Canadian National Railways meet here and over one of these run the trains of the Wabash Railroad. The Lake Erie and Northern branch of the Canadian Pacific Railway provides an electrically operated passenger and freight service and has interswitching with other lines. And Simcoe is at the junction of King's Highways Numbers 3 and 24 and bus and transport companies give quick, efficient and economical service to nearby and distant points.

Norfolk Street, Simcoe —Photo by Kirkwood.



The above map shows the central position of the Town of Simcoe not only in the rich agricultural and manufacturing area in which it is situated but also in its relationship to other points and other areas in the southern section of Ontario.

PUBLIC UTILITIES

All the public utilities which make for convenience and healthful living are available to residents of Simcoe. Natural gas is obtainable by industries and for domestic use at the remarkably low rate of 60 cents net for 1,000 cubic feet. An ample supply of pure water is assured at all times by means of the excellent waterworks system owned and operated by the Town of Simcoe. The sanitary sewerage system has been in operation for 25 years and the municipality likewise operates its own Hydro-Electric Department, securing power from Ontario's famous hydro-electric system. This power is available to industries at very low cost per horsepower, while commercial and domestic lighting rates are similarly low.

OTHER ADVANTAGES

Modern primary and secondary schools, with vocational training included, are among the numerous institutional and other advantages which make Simcoe an ideal place in which to live. There are also a well-appointed public library and seven churches, while in recent years has been developed a fine parks and playgrounds system. First-class hotel accommodation, good theatres and ample shopping facilities round out the picture of this thriving town on the banks of the River Lynn.

For further information about Simcoe, communicate with
The Town Clerk, Simcoe, Ontario.

The following public spirited firms and institutions have made this advertisement possible:

AMERICAN CAN COMPANY
We Manufacture Cans
We Do No Canning

BRITISH KNITWEAR LIMITED
Manufacturers of Quality
Underwear — Hosiery — Dresses
Knitwear of Distinction

BROOK WOOLEN COMPANY LIMITED
"Don-A-Brook" Fabrics

J. B. JACKSON LIMITED
Cold Storage Butter — Eggs
"Norfolk" Ice Cream

THE TOWN OF SIMCOE
The Largest and Most Modern Town
in the Flue-Cured Tobacco Growing Area

ONTARIO TOBACCO PLANTATIONS LIMITED
Head Office — Simcoe, Ont.

PUBLIC UTILITIES COMMISSION
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H. F. PRELIPP HARDWARE
"Everything in Hardware"

ST. WILLIAMS PRESERVERS LIMITED
Manufacturers of
Finest Jams, Jellies, Marmalades
and Refined Sugar Syrups

HOTEL GOVERNOR SIMCOE
Rooms with Private Bath and Shower
Catering to Private Dinner Parties
"Where the Highways Meet"

TOBAC CURING SYSTEMS LIMITED
Manufacturers of
Oil-Tobac and Gas-Tobac Curing Systems
and Humidifiers
Simcoe Ontario

TOBACCO *Makes* GOOD NEIGHBORS

Imperial Tobacco shapes its policies to include the pleasure of all who smoke and the welfare of all who make their living through tobacco

A field of Canada's "green gold" in Southern Ontario with kilns in which bright "Virginia" leaf is flue-cured.

"No woman," according to Robert Louis Stevenson's advice to young people, "should marry a man who does not smoke." Stevenson was not writing in praise of tobacco. The reason behind his warning was that, "whatever keeps a man in his front garden, whatever checks wandering fancy and inordinate ambition, whatever makes for lounging and content, makes just as surely for domestic happiness."

Another sage—this one the Canadian Sam Slick, gave it as his opinion that "It (a pipe) has made more good men, good husbands, kind masters, indulgent fathers and honest fellers than any other blessed thing on this universal world."

And Indian sagamores, from the earliest days of this country's history, appear to have had similar appreciation for the virtues of what Edmund Spenser termed "the divine herbe" for, among the aborigines, an offer of tobacco was an unfailing sign of good will.

The Canadian manufacturer of tobacco, therefore, could well start his claim to being a "good neighbor" by reminding his hearers that he supplies the public with this token of neighborliness, this bond of good fellowship . . . And he might add that he supplies a far more palatable product that was available to sagamores—or even to Stevenson.

• • •

Contributions to National Prosperity

Imperial Tobacco Company of Canada, Limited, can go further. It can substantiate its claim to making definite contributions not only to "domestic happiness" and social amenities, but also to Canada's agricultural, industrial, commercial and national prosperity.

For consider first this Company's contributions to the Dominion's agricultural wealth:

A century ago (in 1827 to be exact) two hogsheads of tobacco from Upper Canada were sent overseas to test the London market as to the advisability of developing tobacco culture in this country.

The discouraging report came back, "This description cannot be sold here at any price."

For almost a hundred years, it was accepted that Canadian tobacco was, and must remain, inferior.

But last year well over five million dollars worth ($5,235,740) of Canadian tobacco was sold on the British market, and sold at fair prices in competition with the rest of the world. Further, three times the amount sold in England was absorbed in this country!

Imperial Tobacco Company takes a measure of credit for Canada's achievement in this direction; for the Company has done much to stimulate this new source of Canadian wealth. It is a new source for, while tobacco of sorts has been grown in this country since the days of the French Regime, the extension of its culture into the higher grades began only twenty years ago.

At the close of the last century, the Ontario crop of "Burley" tobacco (practically the only type then grown) was only 2,000,000 pounds which sold at approximately 8c. a pound . . . Nobody in those days thought it possible to raise "Virginia" tobacco commercially in Canada.

Even ten years later, the total crop was still only 5,750,000 pounds.

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Rapid Increase

But, before another ten years had passed, two things happened which profoundly altered the tobacco situation in this country:

First, the war made machine-made cigarettes universally popular.

Second, in 1919 it was discovered that "Virginia" tobacco (the type mainly used in cigarettes) could be raised profitably in certain parts of Southern Ontario.

Increased demand coincided with a new source of supply.

The effect was that last year's crop of all types of tobacco grown in Ontario, Quebec and British Columbia broke all records with almost 100,000,000 pounds of tobacco at a farm value of approximately $20,000,000.

Many difficulties had to be overcome before Canada could achieve this new source of revenue. For one thing, Canada is on the northern edge of the climatic belt in which tobacco can be grown. A great deal of scientific investigation and experimentation were necessary before methods of fertilization and cultivation could be developed to hasten growth, sufficiently to avoid danger from early and late frosts.

In this pioneer work, Imperial Tobacco Company co-operated effectively with both the Department of Agriculture and the farmers. It employed experts and placed their services at the disposal of growers. Further, it established, equipped and still operates a model experimental farm in a typical tobacco-growing area. The findings of this farm, both as to costs and techniques, are painstakingly recorded and are freely available to farmers. In this way, and as a demonstration of the latest methods, in every stage of culture and curing, this farm has proved of incalculable value.

In conjunction with Government officials, the Company was largely instrumental in introducing the practice of closer spacing for plants in the field. This system increased production by approximately 25% per acre and raised the quality of the crop.

The Company sponsored also the practice of "priming" the crop of "flue-cured" tobacco. This is a method of harvesting by which the leaves are picked progressively as they ripen whereas, formerly, the plant was cut off at the stalk and harvested as a whole. The priming method has resulted in a larger and more uniform crop; for, when the lower leaves have been detached, the whole strength of the plant goes into those which remain.

Priming is also a great aid in providing a continuous supply for the "kilns" in which "Virginia" tobacco is cured. Priming also immensely decreases the frost hazard as, under this system, 75% of the crop is harvested before there is any danger of a killing frost.

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Enlarging the Markets

But obviously it would be worse than useless to spend money to improve the quality and quantity of crops for which there was an inadequate market. The Company, therefore, undertook the task of creating an increased demand for Canadian tobacco.

An outstanding achievement in this direction was the marketing of Picobac, an all-Canadian "Burley" pipe tobacco. Starting some ten years ago practically from scratch, the Company promoted the sale of this tobacco so successfully that today Picobac enjoys a larger sale than any other pipe tobacco in Canada.

Dominion Fine Cut is an effort along the same line to market Canada's excellent "Virginia" cigarette tobacco to Canadians. In the promotion of this brand, the company has consistently stressed the fact that Canadian soil and climate now produce leaf the flavour and aroma of which are equal to any in the world.

In addition to the amount used in these purely Canadian brands, the Company uses a proportion of home-grown leaf blended with imported tobacco in various other brands. The extent of this proportion depends not on the manufacturer but on the ability of the growers to raise crops of sufficiently high grade; for, obviously, the consumer is the final arbiter.

• • •

However, a word of warning must be sounded, or rather resounded, for it has been persistently sounded for almost ten years. The growing of flue-cured tobacco is not the unlimited bonanza which some people of insufficient information have been tempted to believe. Writing on The Outlook for Canadian Flue-cured Tobacco in 1939, J. K. Perrett, Secretary of the Flue-cured Tobacco Marketing Association of Ontario, pointed out that "More or less satisfactory prices were received until the year 1931, when a decided drop in price was experienced. This reduction in price continued until the fall of 1933, when it was found that there was a surplus of 8,000,000 or 9,000,000 pounds which could not be sold for cash on the open market. This collapse in price was caused mainly by production expanding too rapidly in relation to the size of available markets. In the spring of 1934 a determined attempt was made by buyers, growers and government officials to reduce acreage . . . the annual requirements which would satisfy both markets (Canadian and British) do not exceed 45,000,000 pounds . . . If all growers will exercise patience, it may only be a few years before production can gradually be increased . . . without this co-operation, the industry which at present brings in a revenue of about $15,000,000 to the district, is doomed to a period of low prices which will result in inevitable distress to most people in this section of Western Ontario."

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Advice Against Overproduction

An advertisement published in June, 1935, and reproduced in miniature on this page illustrates how this Company has consistently and persistently assisted in the efforts put forth by the Government and farmers' associations to restrict unwarranted production. The advertisement cites how as early as 1930, the Company published a warning article in the Simcoe Reformer. The advertisement states that in 1931 the Company had helped to save the situation for the farmers by purchasing nearly 6,000,000 lbs. more than its normal requirements. In 1934, when it seemed that efforts of the Government and the growers' own leaders to effect a voluntary curtailment of 25% were to go unheeded, the Company sent out its own men to plead personally with the growers. Where the growers' own leaders had failed, the Company succeeded. Before planting time arrived, it had 95% of the growers pledged to a 25% acreage reduction. These efforts were abundantly justified when the 1934 crop was marketed at a 25% increase in price while, within two months of the opening of the market all but a million of the 23,000,000 lbs. was sold.

• • •

The financial benefits to Canada of this new source of agricultural wealth do not stop with the grower, nor with those living in rural centres which prosper as the surrounding farms prosper. For, after tobacco has been grown and cured (the curing is done by the farmer), it must be "processed" before it can be manufactured, distributed and sold. In each of these stages, it provides work and wages.

Processing and packing raw Canadian leaf in 1937 (the latest year for which complete government figures are available) gave employment to a monthly average of 1724 wage earners with a total of wages and salaries for this department of the industry totalling $1,325,497.

This is an additionally important factor in Canada's employment situation since the work is seasonal and its peak comes just at the time when, in other lines, the absorption of rural labor is at low ebb. In December, 1938, approximately 6,000 persons were employed in processing tobacco leaf.

Imperial Tobacco Company operates two processing plants, one at Leamington and the other at Delhi, both in Ontario. At these places large stocks of tobacco are stored for at least 30 months so that the tobacco may be mellowed by the slow processes of time, and also in order that there may be on hand always a sufficient supply of all varieties to offset crop variations from season to season.

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Employee Welfare

If the cigarettes produced in one day in the Company's Montreal factory were placed end to end, they would stretch as far as from Toronto to Winnipeg. In addition to this daily capacity of cigarettes, this plant has a large output also of fine cut tobacco for those who roll their own cigarettes.

In manufacturing the processed leaf into cigarettes and other tobacco products, the Company employs in its factories in Montreal, Granby and Toronto, its processing plants at Leamington and Delhi, and its warehouses from coast to coast, approximately 7,500 persons.

As a whole, it is estimated, the tobacco industry in Canada supports directly some 300,000 persons. This includes, with their dependants, those who work on tobacco producing farms, in processing plants and tobacco factories, with wholesalers and retailers of tobacco products. In addition, the industry adds to the work and wages of hundreds of thousands of others engaged in transportation, in the factories which produce supplies, and in forests and mines, from which come the raw materials for these supplies.

With regard to those under its immediate control, the Company strives to keep well up in the vanguard of enlightened efforts for employee welfare. To this end, it maintains restaurants, restrooms, medical and nursing services, relief shifts, holidays with pay and group insurance for the benefit of its workers. It does everything possible to ensure that they shall work in light, clean, airy dustless rooms and that the tasks assigned to each are those which are most congenial to the employee's temperament. Perhaps the best proof of the Company's success along these lines is that there is a long waiting list of those seeking employment while vacancies are few; for it is commonplace to hear the girls in the factory say that they would not think of leaving except to get married. In a word, the Company endeavors to pay a higher wage and make working conditions more pleasant than the girls would work under elsewhere.

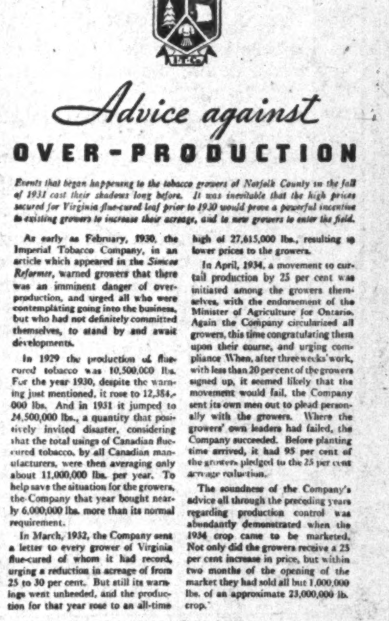
The Company manufactures many brands of cigarettes, cigars, pipe tobacco and other tobacco products. Among these Sweet Caporal Cigarettes, now the fastest selling in Canada, started in 1887, were the first machine-made cigarette in the Dominion, and Old Chum Pipe Tobacco has been consistently on this market for over fifty years.

Like Sweet Caporals, all Imperial cigarette brands are based upon famous and long-tested formulae. Outstanding among these are Player's and W. D. and H. O. Wills' Gold Flake the quality of which has long been an accepted tradition across the water. Player's became famous during the Great War when they were so widely distributed to the Navy and the Army that they gained the title of "the cigarette that won the war."

To many people it may come as a surprise to learn that even in "straight" Virginia cigarettes there are as many as forty types and varieties of leaf blended and balanced against one another to give exactly that particular fragrance and flavor to which each famous brand owes its popularity. The formula for each is carefully guarded and adhered to with the most rigorous care.

Batteries of these machines in the Montreal plant of Imperial Tobacco Company manufacture cigarettes at the rate of over 1,300 a minute.

Every cigarette which reaches the general public has passed numerous minute tests as to weight, packing and paper.



Advice against
OVER-PRODUCTION

Events that began happening to the tobacco growers of Norfolk County in the fall of 1931 cast their shadows long before. It was inevitable that the high prices secured for Virginia flue-cured leaf prior to 1930 would prove a powerful incentive to existing growers to increase their acreage, and to new growers to enter the field.

As early as February, 1930, the Imperial Tobacco Company, in an article which appeared in the *Simcoe Reformer*, warned growers that there was an imminent danger of over-production, and urged all who were contemplating going into the business, but who had not definitely committed themselves, to stand by and await developments.

In 1929 the production of flue-cured tobacco was 10,500,000 lbs. For the year 1930, despite the warning just mentioned, it rose to 12,384,000 lbs. And in 1931 it jumped to 24,500,000 lbs., a quantity that positively invited disaster, considering that the total usings of Canadian flue-cured tobacco, by all Canadian manufacturers, were then averaging only about 11,000,000 lbs. per year. To help save the situation for the growers, the Company that year bought nearly 6,000,000 lbs. more than its normal requirement.

In March, 1932, the Company sent a letter to every grower of Virginia flue-cured of whom it had record, urging a reduction in acreage of from 25 to 30 per cent. But still its warnings went unheeded, and the production for that year rose to an all-time high of 27,615,000 lbs., resulting in lower prices to the growers.

In April, 1934, a movement to curtail production by 25 per cent was initiated among the growers themselves, with the endorsement of the Minister of Agriculture for Ontario. Again the Company circularized all growers, this time congratulating them upon their course, and urging compliance When, after three weeks' work, with less than 20 per cent of the growers signed up, it seemed likely that the movement would fail, the Company sent its own men out to plead personally with the growers. Where the growers' own leaders had failed, the Company succeeded. Before planting time arrived, it had 95 per cent of the growers pledged to the 25 per cent acreage reduction.

The soundness of the Company's advice all through the preceding years regarding production control was abundantly demonstrated when the 1934 crop came to be marketed. Not only did the growers receive a 25 per cent increase in price, but within two months of the opening of the market they had sold all but 1,000,000 lbs. of an approximate 23,000,000 lb. crop.

Under the guidance of the Marketing Board, in the formation of which the Imperial Tobacco Company was glad to co-operate, the evils of over-production should be a thing of the past.

IMPERIAL TOBACCO COMPANY OF CANADA, LIMITED

Facsimile of an advertisement published in 1935 regarding the advisability of restricting the production of flue-cured tobacco in Canada.

In its ambition to act as a "good neighbor" not only to farmers and employees but also to industry, the Company has for years held strictly to its settled policy to buy nothing from abroad which can satisfactorily be purchased in Canada. To put this policy into greater effect, the Company has co-operated with manufacturers in varied lines to bring their products up to the standards demanded by the buying public. This, as with similar efforts in agriculture, has had the effect of materially increasing Canadian purchases and, therefore, Canadian employment.

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Collecting Dominion Taxes

The output of Canadian tobacco products in 1937, including excise (to quote from the 1939 Report on the Tobacco Industries published by the Dominion Bureau of Statistics) was valued at $84,100,528.

Cigarettes form the main item with a total output of 6,724,333,000 valued at $52,138,442. Smoking tobacco came next with an output of 22,439,360 pounds valued at $22,607,786.

The phrase "including excise" is worth noting. For the direct tax on a 25c. package of 25 cigarettes prior to the recent war budget, for instance, was 11.4 cents. This excise tax is collected through stamps pre-purchased by the manufacturer. Thus the Government has constantly at its disposal a considerable sum of money which has not yet been returned to the manufacturer from the public.

In this manner, during the fiscal year of 1937, the tobacco industry collected for the Government $32,972,373 in excise duties alone.

In this connection an interesting comparison is drawn between United States and Canadian cigarette prices. According to an article appearing in The Financial Post of Nov. 19, 1938, and revised to cover Excise Tax increase of $1.00 per thousand announced by the Dominion Government, September 12, 1939:

> "Some 90% of the cigarettes sold in the United States fall into this latter category (i.e. at retail prices of 12½ to 15 cents per package of 25 cigarettes). Taking this type as typical and striking an average between $6.25 to $7.50 a thousand, the following comparative breakdown of the consumers's dollar is reached:

Breakdown of Consumer's Dollar per 1,000 Popular-priced Cigarettes*

	Sept. 15/39	
	Canada	U.S.A.
Consumer's price	$10.99	$6.75
To distributors	2.33	1.24
Manufacturer's price	8.66	5.51
Excise stamps, and sales tax 8%	5.64	3.00
Balance for manufacturing, costs and profit	3.02	2.51

*Figures used differ from the 1936 breakdown because of adjustments in prices and increase in the sales tax since that year.

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When Figures Mislead

"On the surface, Uncle Sam's smokers come off better than do the smokers in this country. What the figures do not tell is that the Canadian manufacturer pays $5 a thousand in excise duty as against $3 paid in the States. Again the Canadian manufacturer pays 64 cents a thousand in sales tax; the American producer nothing.

"The manufacturer here pays more for his tobacco than does the American operator, the difference on an average amounting to 8 cents a pound, or 20 cents per thousand cigarettes.

"The distributor's gross profit may be high in Canada, but the evidence indicates that the manufacturers' profit is in line with that secured in the States considering the difference in volume of trade and density of population. And when these latter factors are considered in relation to the cost of distribution, it would be found, if possible to detail the figures, that distribution costs are not excessive in Canada."

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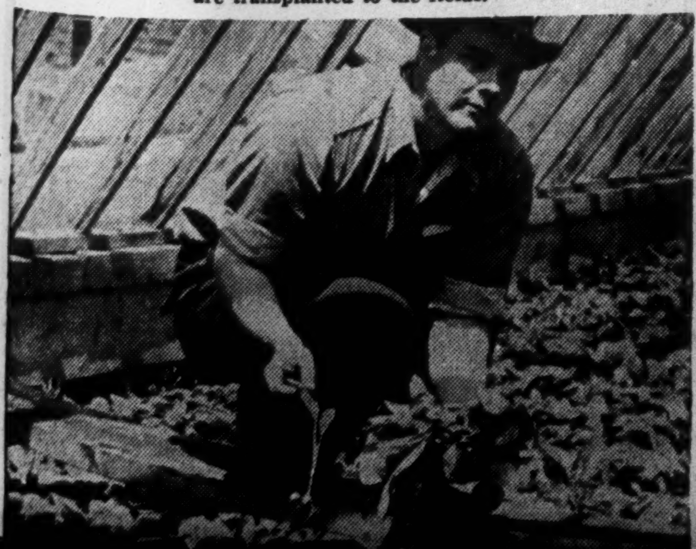
Imperial Tobacco Company, then puts forth every effort to act as a "good neighbor" to all those from whom it purchases either time, tobacco leaf or other supplies. It performs also the valuable function of collecting, practically without cost to the Government, a substantial proportion of the Federal revenues.

In addition, it strives to ensure to some 70,000 retailers and wholesalers a fair, steady and reasonable reward for their labors. It acknowledges also its responsibilities to its stockholders of whom over 6,000 live in Canada.

And, to smokers throughout the Dominion, the Company recognizes its obligation to provide them with the greatest possible smoking pleasure. To do so, the Company makes many brands and packs them in a wide variety of denominations. And it distributes these so that they shall be conveniently available whether the smoker lives in the heart of a great city, in a remote hamlet or on a lonely outpost of the Far North.

No. 16 in a series of studies in corporate citizenship appearing in The Financial Post through co-operation of leading Canadian business institutions.

Tobacco plants are started in hotbeds from which the seedlings are transplanted to the fields.



After an anxious summer of cultivating, harvesting and curing, tobacco goes in truckloads to the processing plants.

In the processing plants, the leaf is first carefully graded according to size, color and texture.

In 1,000-pound hogsheads, the leaf is laid away to mature for at least 30 months.

Tobacco Expansion Hinges on Exports

Domestic Market Now Fully Supplied by Flue-Cured Growers

Once flue-cured tobacco growers in southwestern Ontario started producing a cured crop similar to the Virginia type a large share of the Canadian domestic market was open to them. That position was achieved about ten years ago and from then on imports of foreign leaf by Canadian maufacturers began to decline.

Prior to 1929, Canadian manufacturers were importing about 18 million pounds of raw leaf annually. A large part of this came from United States with a considerable proportion made up of bright flue-cured Virginia type tobacco of a kind and flavor similar to that produced in southern Ontario.

Grower-Manufacturer Co-operation

Growers and Canadian manufacturers after some arguments and discussion got together. Manufacturers told the growers exactly what they wanted; growers proceeded to turn out a tobacco to suit them. Manufacturers pointed out that the change from imported leaf to Canadian would have to be gradual as consumers of cigarettes, for which the flue-cured is largely used, are fastidious. Any sudden change they said, might be fatal to sales. They could not afford to take chances. The change, therefore, was made gradually but quite definitely.

Between 1930 and 1937 foreign imports were cut by two thirds. Today over 80% of the tobacco manufactured in Canada is of Canadian origin. Ten years ago only 50% was Canadian, 20 years ago it was less than 30%.

Growers and manufacturers alike are now convinced that the domestic market is absorbing about all the Canadian tobacco that it can freely use. The 20% imported is needed for blending purposes and consists almost entirely of types not available in Canada and not likely to be available. Even United States, with a much wider range of climate than Canada imports considerable foreign tobacco for blending purposes.

Need Export Market

There is, of course, some hope of natural expansion of the home market as the population grows. But this outlet has remained fairly steady with average annual consumption in the neighborhood of 38 million pounds. (See chart.)

Once Canadian tobacco growers started producing greatly in excess of home requirements, there was only one thing to do, find a market abroad. Great Britain was the logical choice as that market had already been educated to the Virginia type of tobacco. Biggest single American export to Great Britain in a normal year is tobacco.

Canadian exports of any volume commenced about 1926 and averaged about 5 million pounds for the next six years. Then came a substantial British preference and Canadian growers stepped up promptly to over 10 millions. This average has been maintained ever since.

Overseas Competitors

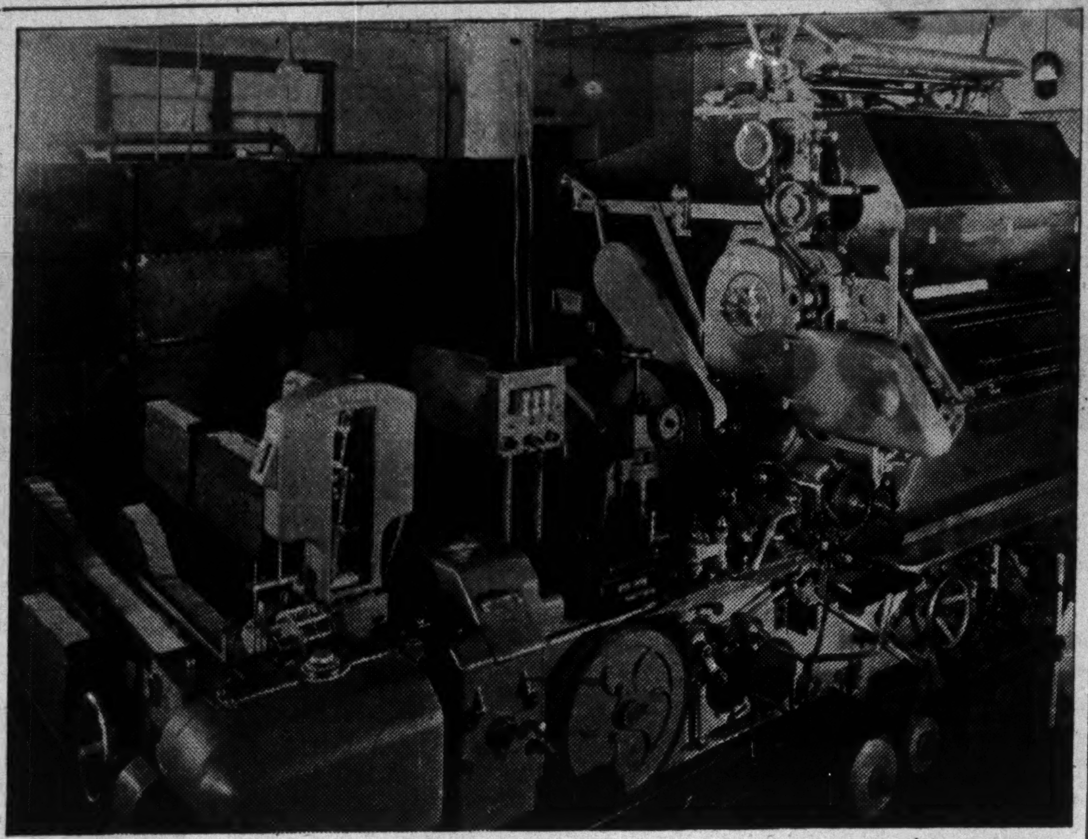
Aside from United States, Canada's principal competitors are Southern Rhodesia and British India. They also export a flue-cured Virginia type, also enjoy a substantial British preference. Canada and these other competitors are running neck and neck but scarcity of shipping from Rhodesia and India during wartime may give us some temporary advantage.

Deliveries from bond for home consumption in Great Britain last year, were as follows:

	lb.
Canada	9,796,339
Southern Rhodesia	13,965,331
British India	14,604,041
Non Empire*	137,151,000

*Very largely United States.

With figures of production, consumption and exports of Canadian leaf available, it does not take much of a scratch pad to discover that the consumption plus average exports does not equal production. Most of this apparent overproduction is the result of extra large yields in recent years. In 1935, 1937 and 1938, yield per acre ran well over 1,100 lb., and compared with an average of not much over 800 lb. between 1927 and 1934. The present crop, too, is expected to average over 1,000 lb. to the acre. One short yield, it is believed, would largely correct the present trend toward surplus stocks, although growers would feel easier in their minds if exports could be stepped up.



SIXTY-FIVE THOUSAND AN HOUR *Imperial Tobacco Co. photo.*

This modern machine in the factory of Imperial Tobacco Co. rolls its own at the rate of 65,000 per hour. It has a weighing device that automatically adjusts itself and assures uniformity.

Expansion

To support present acreage and yield, it is argued, an export of 10 to 20 million pounds is needed. If it does not materialize, growers fear a return to the chaos of ten years ago, of a market without any bottom, of store houses bulging with a high cost product that nobody needs. Of course extra demand during the war may clear up any present surplus, but this would only be a temporary relief.

Buyers and growers are alike in the fear of a collapse because both have prospered by the present system of orderly, low-cost marketing, which has developed a crop of extra high and uniform quality.

The cost of the raw leaf used in an ordinary 25 packet of cigarettes is about a cent and three quarters. The rest is made up of first and foremost, taxes, curing, storing, packaging, packet and general overhead. If the raw leaf tobacco market collapsed and growers actually gave their product to the manufacturers, it is argued that there would be no noticeable saving in the retail cost of cigarettes, while quality, owing to hopeless, ruinous competition among the growers, would go to pot.

Natural Control

Until they build up a greater export market, naturally present growers in the tobacco belt are most anxious to keep production within bounds. They have a natural advantage because tobacco grows best on sandy land and in the warmer sections of Canada. This natural advantage, however, is not as limited as once believed. Ten years ago soil enthusiasts in the flue-cured area would point out certain small shaded areas on a map that took in little more than half of Norfolk County. Beyond those shaded portions, they said, flue-cured could not be grown.

But the temptation to grow a crop with a possible gross value of $200 per acre became well-nigh irresistable in recent years of low farm prices. Moreover, more sandy areas have been discovered beyond the borders of Norfolk that seem to suit flue-cured tobacco pretty well.

The new way of harvesting was another incentive. This is now done gradually over weeks instead of all at once at the end of the season. Even if frost does come early on the fringe of the tobacco belt, some of the crop will be got in and saved.

As a result the tobacco belt has widened and acreage is still creeping up. The Marketing Board issues warnings in the spring, so do the buyers, but by the time harvest comes, or a few months afterward, most of the new growers have been taken inside, especially if they promise to keep acreage within bounds.

Growing Costs Are Heavy

Over 20,000 Persons Employed in Tobacco Belt—Big Investment

At first glance, tobacco growing looks like a bonanza, but experienced growers now shake their heads.

"Once we did think it was a get rich quick scheme," one tobacco grower told The Financial Post. "Imagine 20 cents a pound for a crop that averages half a ton to the acre. Compare this with the buckwheat, wheat and rye we used to grow as a cash crop, stuff that would not average more than $10 to $20 per acre. No wonder there was a boom in acreage before we found a catch in it."

The catch as explained to The Financial Post, is labor cost. It requires an immense amount of labor to produce tobacco, and in addition there are heavy expenses for new equipment, fertilizer and other materials.

High Labor Costs

Labor is the big cost. Between five and six thousand people in addition to grower owners, are employed the year round in the flue-cured tobacco belt, which is largely concentrated in a circle 20 miles in diameter running through the centre of Delhi. These people work on the farms from early spring until late fall, then find three to four months employment in the big grading, and packing plants in Delhi and Tillsonburg.

On the farms they plant the seed, transplant the young seedlings from greenhouse to field, cultivate, fertilize and spray the growing plants. Then from late summer to fall they harvest. For the latter job, of course, they need more assistance and from 10,000 to 15,000 extra hands are employed in the district.

Harvesting, like nearly all other operations is largely a hand proposition, each leaf is picked by hand. From the field the crop goes to the farm kilns.

These kilns, which give the name "flue-cured" to this bright leaved tobacco, are tended by experts. There are about 10,000 kilns in the district and they are tended by 1,750 curers brought in from the Southern States, plus a growing number of Canadians who have been trained here since the industry got started.

Altogether the work of 20,000 people is required to grow the tobacco and process it to a point where it will safely keep. Wages for these 20,000 must come out of the annual revenue and also a huge annual bill for materials—and equipment. There is fertilizer, and spraying materials, there is special cultivating machinery, there is fuel for the kilns.

Capital costs, too, are heavy. Each of the 10,000 kilns is worth at least $500, each of the 4,000 greenhouses at least $750. There is heavy depreciation on such structures and heavy insurance.

Sixteen Years With Tobacco

Just 20 Acres Planted in 1923—Now Grow 58,000

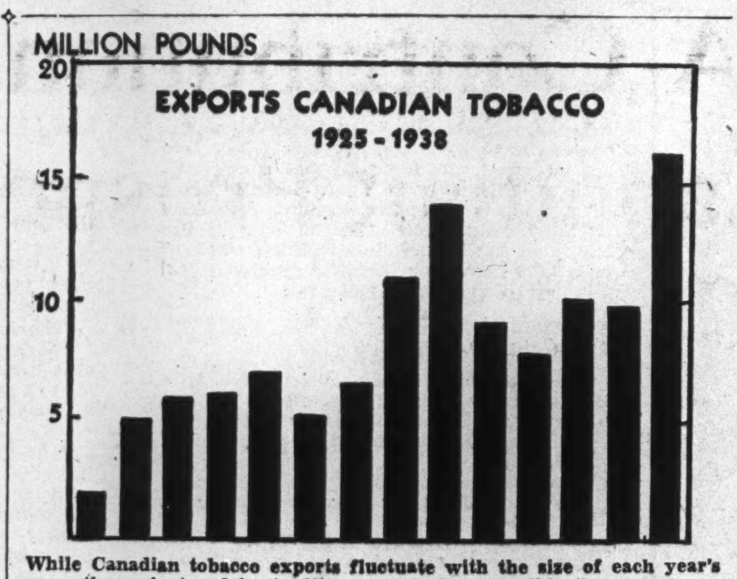
The following historical sketch of the commercial flue-cured tobacco growing industry in Ontario has been prepared by the Norfolk Chamber of Commerce.

It was in 1923 that the first commercial crop of flue-cured tobacco was produced in Norfolk district. This was grown on a farm in the vicinity of Lynedoch. That year H. A. Freeman and W. L. Pelton, after much experimentation, planted 20 acres. Incidentally both Mr. Freeman and Mr. Pelton are still actively connected with the industry they helped to foster. Each man is today a large-scale tobacco grower operating several farms.

In the early days of the industry growers were untroubled by the spectre of a glutted market. All they had to do was plant their crops, supply sufficient fertilizer and labor to bring them along, and pray for a favorable growing season unmarred by windstorms, hailstorms and early frosts. Harvesting completed, the buyers from the big companies would come around and make an offer which generally resulted in a price allowing a generous profit on the year's operations.

Plantations Come

Then came the big plantations, of which there are several, organized as companies backed by businessmen. Each plantation is operated in much the same manner as a large store or factory for the purpose of returning dividends to shareholders.



While Canadian tobacco exports fluctuate with the size of each year's crop, the main trend is steadily upward. Prior to 1930 the export was almost entirely of the Burley type, now very largely replaced with flue-cured.

The plantations bought up farms, equipped them, and grew crops on the share principle, employing New Canadians to do the work. Today there are thousands of Belgians, Hollanders, Hungarians and members of other European races who have made their home in Norfolk and are engaged in the tobacco industry.

There are ten plantations or syndicates operating in the New Belt. Whatever evils they have brought about by reason of a form of absentee landlordism, they have more than compensated by the injection of sound, businesslike administration and leadership in a business which might have perished but for their influence.

Prior to 1931 tobacco growers averaged 29 cents per pound or better for their crops and it was apparent tobacco had become a good thing. Next year saw the industry degenerate into an every-man-for-himself with a jump in acreage from 17,000 to 27,000 and a jump in production to almost twice the previous year's figures.

Price Takes Slump

In 1931, however, the price plummeted from a 32-cent average to 20 cents. The following year a few new growers with more optimism than financial foresight entered the lists and there was a small increase in acreage. Production was higher than in 1931, and the crop increased by almost three million pounds. There was a mild panic and the price took another drop to 16 cents.

Despite this fact the acreage increased in 1933, although growing conditions were not favorable, thus resulting in an appreciable jump in price.

Growers began to organize and it was decided that if acreage was cut down 25 per cent the price would increase.

In 1934 each grower who had produced a crop the previous year signed a voluntary agreement to grow only three quarters as much as in 1933. To keep a check on the acreage, crews of men were sent out during the growing season to measure each crop. The purchasing companies agreed to give preference to those who limited their production and practically the entire industry came into the fold.

Total production for the year was down three million pounds to 22,548,584, but the growers got better than five cents per pound more than they did the previous year.

Establish Marketing Board

In 1934 the Dominion Government passed what was felt to be a radical piece of legislation, The Natural Products Marketing Act.

The tobacco industry was among the first to crush the Marketing Act to its bosom. In 1934 the necessary legislation was put through to give legal birth to the Ontario Flue-Cured Tobacco Marketing Board, which had as its head Prof. A. A. Leitch, who also became chairman of the Dominion Marketing Board. Offices were set up in Simcoe and the Board prepared to do business.

In the fall of 1934 a group of men representing both growers and buyers met in Simcoe and set a price of 24.66 cents per pound average.

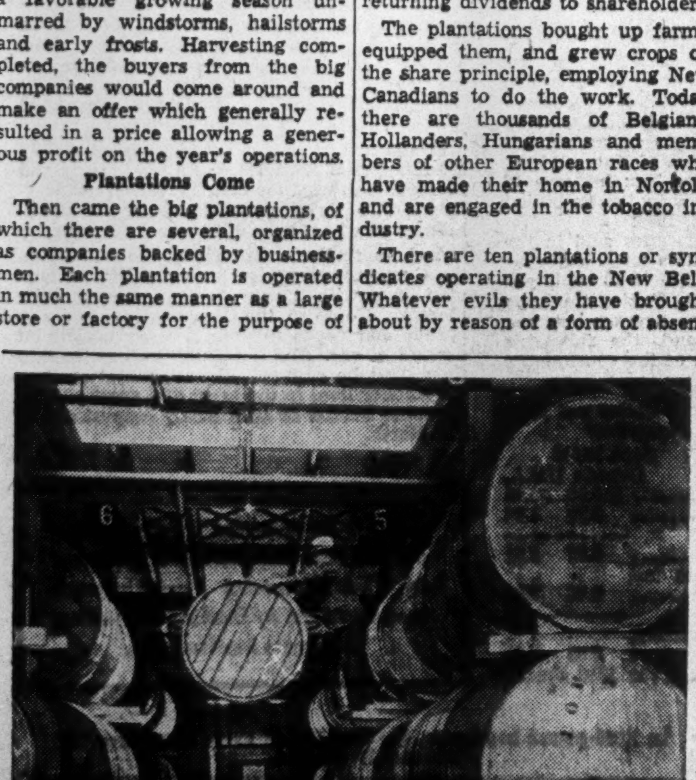
In 1935 the programme of production curtailment was modified. More than 30,000 acres were planted and many new growers admitted, resulting in a 25 per cent increase over 1934. Weather conditions were ideal, with the result that production increased by 13 million pounds, yet the price remained about the same.

Form Present Association

In 1936 it became apparent that the Marketing Board could no longer function because the Natural Products Marketing Act was declared ultra vires. Foreseeing a repetition of the conditions which prevailed in 1933 the growers and the principal buying companies immediately set machinery in motion and established the Flue-Cured Tobacco Marketing Association of Ontario.

In 1937 the flue-cured acreage increased by 14,000 acres and with ideal weather production reached an all-time peak of $54,652,580 pounds. The average price paid for the crop was approximately 27 cents per pound, yet growers received on an average of $65 more per acre for their leaf than they did in 1936.

Acreage and crop records were again broken in 1938 when a total of 73 million pounds were harvested worth about $16 millions. Figures for 1939 are not yet complete.



MONEY AND TOBACCO TIED UP HERE

Tobacco manufacturers have millions of dollars tied up in stored tobacco. After the purchase of the raw leaf from the growers it must be cured for two to three years in big hogsheads holding 1,000 pounds before it is ready for manufacture into cigarettes or pipe tobacco. Well over 80% of the tobacco consumed in Canada is now domestic grown, with almost all of it coming from southern Ontario.

Southerners Face Diseases

Heavy Crop Loss of Southern States Not Experienced Here

The Ontario tobacco belt is by no means completely free of serious plant disease and each year finds growers forced to combat this menace on a larger scale. Compared to competitors in the southern United States, however, Canadians are fortunate. So far as tobacco growing is concerned, the land in Norfolk and adjacent counties is still relatively new and therefore free of many of the worst tobacco diseases.

G. G. Bramhill, agricultural representative of the Ontario Department of Agriculture at Simcoe, made an extensive trip through southern United States this summer. He reports no less than 50 varieties of serious disease prevalent there.

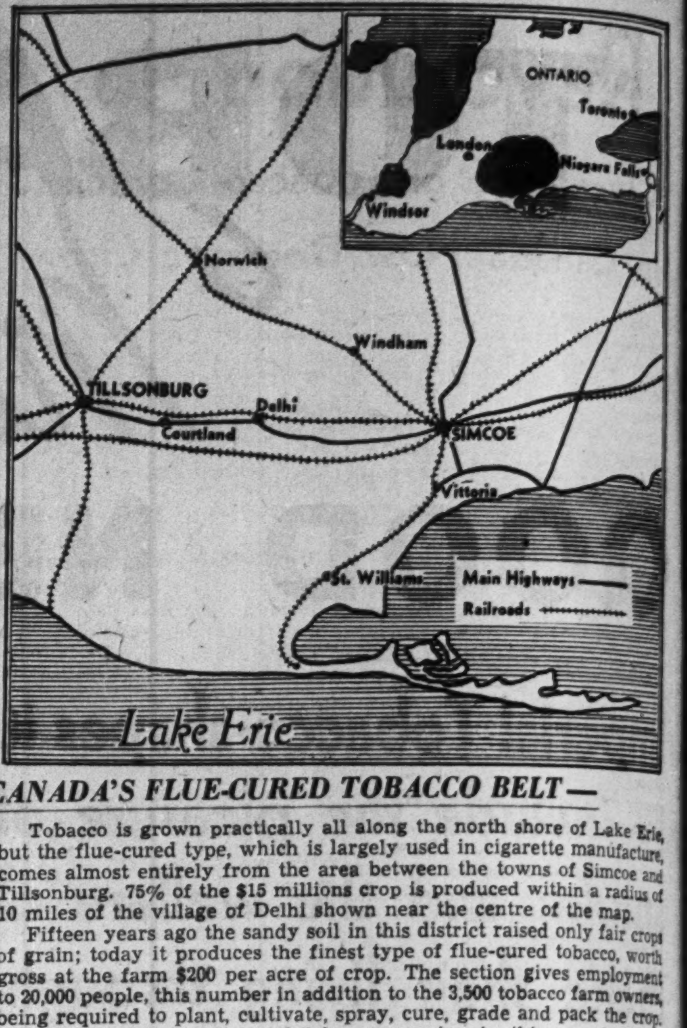
"Plant diseases are the great enemy of the tobacco grower of the south," Mr. Bramhill told The Financial Post. "There are a great many varieties which make the growing of tobacco a highly hazardous undertaking. From the time the seed is planted in the bed until the last leaf is harvested the tobacco grower of the south, in many cases, wages a losing war against disease.

"Through Kentucky I saw examples of just what these southern growers are up against. What at first looked like one of the best crops in years had been greatly reduced by the ravages of Granville Wilt. This strikes the crop just before harvest and the whole field turns brown in a few days. It is most disheartening to lose the whole season's work at this late stage."

Must Rotate Crop Around

Farmers in the affected districts, reports Mr. Bramhill, previous to the appearance of disease on a large scale, had largely depended on three-year rotation. This means that they would only plant tobacco on the same ground every three years, putting in some other crop for soil cleaning purposes in between. Now, he believed, as a result of disease getting into the soil and staying there, tobacco growing will only be possible every fifth year on the same soil in the South.

In the Ontario tobacco belt a three-year rotation is usually practised though in some districts a chance is still taken on every other year only.



CANADA'S FLUE-CURED TOBACCO BELT—

Tobacco is grown practically all along the north shore of Lake Erie, but the flue-cured type, which is largely used in cigarette manufacture, comes almost entirely from the area between the towns of Simcoe and Tillsonburg. 75% of the $15 millions crop is produced within a radius of 10 miles of the village of Delhi shown near the centre of the map.

Fifteen years ago the sandy soil in this district raised only fair crops of grain; today it produces the finest type of flue-cured tobacco, worth gross at the farm $200 per acre of crop. The section gives employment to 20,000 people, this number in addition to the 3,500 tobacco farm owners, being required to plant, cultivate, spray, cure, grade and pack the crop.

Introduction of flue-cured tobacco growing in this area has been followed by a rapid growth in population in the towns and villages, extension of first-class highways, and a boom in retail trade.

PUBLISHED IN
THE HEART OF THE
TOBACCO DISTRICT

The market of Tillsonburg, which includes hundreds of acres of tobacco in Oxford and Elgin, and is the home of the Southern Ontario Flue Cured Tobacco Growers' Association, is also one of Ontario's wealthiest dairy-farming sections.

Retail sales, in all classifications, in Tillsonburg for 1938 were more than two and a half million dollars.

The Tillsonburg News has been the "home" newspaper of the district since 1863 — 3,008 copies per issue sworn. Detailed information at Class 'A' Weeklies Office, Toronto, Phone EL. 2832.

Tillsonburg News
(A CLASS 'A' WEEKLY)

CANADIAN
LEAF
TOBACCOS

Flue Cured . . . Burley
Dark Air Cured

•

Packers and Handlers
for Domestic and
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HODGE TOBACCO CO. of CANADA
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KINGSVILLE • ONTARIO

INTERCOUNTY TOBACCO GROWERS LIMITED
and
CONTINENTAL LEAF TOBACCO COMPANY LIMITED
KINGSVILLE, ONTARIO

Processors, packers and exporters of Canadian grown flue cured and air cured leaf tobaccos

The two largest independent organizations serving Ontario farmers and Empire tobacco manufacturers

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Overseas Offices: LONDON, ENGLAND
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W. E. MACDONALD, *President and Managing Director*

Revolution in Canadian Smoking Tastes

Over 80% of Tobacco Consumed In Canada Now Domestic Grown

Largely unknown to the Canadian smoker there has been a revolution in the Canadian tobacco manufacturing industry during the past 10 years.

Only a short time ago the tobacco manufacturers in Canada imported most of their raw leaf requirements. Today, most of the tobacco in Canadian cigarettes and pipe mixtures is grown in Canada — largely in Ontario.

The importance of this development to the Canadian economy cannot be overlooked. It has brought prosperity to several thousand Canadian farmers. It has created new wealth, enhanced the value of some types of farm land and added to Canada's agricultural production. Since 1929 there has been almost steady expansion in the volume and value of Canada's tobacco production.

Revolution in Tastes

As far as the Canadian smoker is concerned the revolution in the tobacco manufacturing industry has been a bloodless one. Few smokers have been conscious of it. They have not found any difference in their cigarettes and favorite pipe mixtures as a result of the shift to domestic tobacco. This, of course, is a compliment to the quality of tobacco grown in Canada.

Another favorable factor for the flue-cured tobacco growing industry has been the steady growth in cigarette consumption in recent years. Cigarettes largely made from flue-cured withdrawn for consumption amounted to 6.871 millions in 1938 and 6.697 millions in 1937. This compares with 3,713 millions in 1932 and 5,082 millions in 1929.

Use Far More Domestic

Back in 1920 only 30% of the tobacco used in Canadian cigarettes, pipe mixtures and other tobacco products was of domestic origin. The other 70% was imported, largely from United States. In 1929 the proportion of domestic tobacco was 59.1%. Figures for 1938, of course, are not available because the Canadian leaf must be aged before final processing, but in 1937 the proportion of domestic tobacco had grown to 85.9%.

Further increases can be expected in the future, but the rate of increase is likely to be slower than in recent years.

Canadian manufacturers will increase the use of Canadian tobacco to as high a level as possible, but they are not likely to use domestic tobacco exclusively. There are certain types of tobacco not grown in Canada which are required for blending and for certain brands of cigarettes and cigars.

Assuming they decided to use only Canadian tobacco, domestic demand for Canadian grown tobacco would increase by 6.2 million pounds. In other words, domestic demand for Canadian tobacco would expand 17%. Canadian production is more than sufficient to meet the domestic demand even if Canadian manufacturers stop using any imported leaf.

Manufacturers Co-operate

No review of the tobacco industry is complete without reference to the contribution of the manufacturers to expansion of tobacco growing in Canada. Needless to say they have been vitally interested in developing a domestic source for their principal raw material. Thus the policy of the manufacturing firms has been one of encouragement and co-operation.

Without doubt they have played an important part in the remarkable growth of tobacco growing and in placing it on a scientific basis. Research has played an important part. For instance, Imperial Tobacco Co. operates a model tobacco farm where it conducts experiments with a view to improving quality of Canadian tobacco and production methods.

Imperial Tobacco Co., together with agricultural departments of the Dominion and Ontario Governments, was responsible for improvements which have resulted in vast changes in the tobacco growing industry since 1932. It was due to their efforts that stalk-cutting was supplanted by priming. Experiments conducted by them resulted in development of a new formula for fertilizing. These two factors have brought about a substantial increase in the yield of tobacco per acre and have vastly improved the quality of the crops.

Marketing

Co-operation between the manufacturers and growers has already been mentioned. The best example of this is the Flue-Cured Tobacco Marketing Association of Ontario. This association of growers was formed with the support of the manufacturers and six of its sixteen directors are nominated by the buyer members.

Without doubt the association has brought about the greater stability in production and marketing of flue-cured tobacco. In part, this is due to the co-operation of the manufacturers who recognize that the producer is entitled to a fair profit.

When Mr. Canadian Smoker sits down after dinner to enjoy his cigarette or pipe he gives little, if any, thought to the importance of the tobacco industry. Few smokers realize that the output of the tobacco manufacturing industry, including excise duties, now amounts to more than $84 millions annually.

How Smokes Are Divided

Cigarettes are the main item of production. The 1937 production totalled 6,724,333,000 cigarettes valued at $52.1 millions. Smoking tobacco was next in importance with an output of 22,439,360 pounds valued at $22.6 millions. This was followed by cigars with a production of 129,873,000 valued at $5,857,003, chewing tobacco, $2,807,973 pounds valued at $2.3 millions; and snuff, 828,473 valued at $1.1 millions.

Tobacco manufacturing is carried on in 93 establishments, but a large proportion of the business is done by a few units. Many of the establishments operate only locally or manufacture specialized lines. For instance, there are 70 establishments with an invested capital of less than $50,000, the average for the group being only $8,369.

Big Plant Investment

Total investment of the tobacco manufacturing industry in fixed and current assets is $59 millions. Employment is given to 7,900 persons who receive $7.5 millions annually in salaries and wages.

For materials and containers the industry paid $23.1 millions in 1937. Of this amount $12.7 millions was spent for domestic raw leaf tobacco. A total of $165,568 was spent for 1,492,170 wooden boxes. The huge total of 441,294,715 tins and cardboard boxes were bought at a cost of over $1.5 million. Cigarette papers cost $243,728; lead and tin foil, $639,271; Cellophane, $768,138; and other containers, wrappers, labels, cigar bands, etc., $1.3 million.

Elaborate Process

Cigarette making, and all allied forms of producing and packing smokers' supplies, is a lengthy and elaborate process of which the average smoker has little conception. The story begins at the farm, but it is not proposed to discuss tobacco farming here. Suffice it to say that soil, cultivation, climate and fertilizer all have an effect on the size, texture and flavor of the leaf.

The flue-cured tobacco that is purchased by the manufacturing companies this fall will not be seen by the public for three years. For that length of time it is stored in special warehouses and aged in wood. The manufacturers store not one but three crops.

Stocks of unmanufactured tobacco at March 31 last amounted to 101.1 million pounds. One does not have to be told that these stocks represent an investment by the manufacturers of many millions of dollars.

Blending

After it has been aged the tobacco is moved in 1,000 pound hogsheads to the processing plants. The casks, before being opened, are steamed under pressure so that it can be handled without breakage. After the hogshead is removed the aged tobacco is blended in accordance with a particular formula for any required type of tobacco product. After blending the tobacco is again steamed and is then passed through a special machine which removes the leaf from the stem.

All cigarettes are blended. Most brands consist of many types and grades of leaf combined in exact proportions according to established formulae. It is this process that determines a cigarette's flavor. Only by strict adherence to the same formula, can the manufacturer assure the public that one cigarette of a certain brand is exactly the same as any other of the same name.

The next stage in the manufacture of cigarettes is the cutting of the tobacco. High-speed, revolving knives cut the tobacco to the required size. The cut tobacco drops to a conveyor belt and is carried away to the cigarette machines which automatically turn out 65,000 cigarettes an hour.

Cigarette Making

The cigarettes are then carefully examined for loose filling or other flaws and are ready for packing. This is done by an almost human machine which automatically discards any package improperly packed. From the time the tobacco leaves the steming machine until it is ready for the consumer it is handled by automatic machinery.

After packing comes the important function of weighing the cigarettes. There is an excise tax of $5 a thousand cigarettes weighing three pounds or under. If the weight is more than three pounds a thousand then a higher tax is charged.

The recent increase in the excise tax as a war measure has once aagin brought to public attention the fact that tobacco and cigarettes are among the most heavily taxed products in Canada. On every sale of 25 cigarettes the Government collects 13.92½ cents in excise and sales taxes. In fact these taxes were paid even before the cigarettes left the manufacturer's plant.

Pay Huge Taxes

Someone has said that a good tax is "one which gets the most feathers with the least squawks." Perhaps this is one of the reasons why the tobacco industry is a favorite of the tax collector. Furthermore, the excise tax on tobacco is easy and cheap to collect. A mere handful of operators account for most of the business.

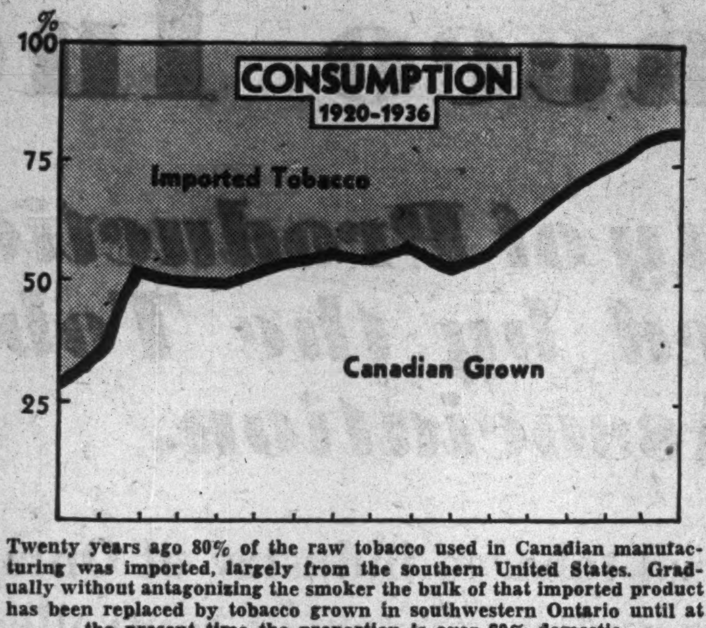
Few people realize it, but receipts of the Dominion Government last year from the excise tax on cigarettes and tobacco were more than sufficient to cover its unemployment relief expenses, exclusive of relief in the drought area in western Canada. In 1937 the excise tax on tobacco and cigarettes yielded almost $39 millions. As cigarette sales increased in 1938 the amount was probably larger in that year. It is estimated the recent increase for war purposes will bring in an additional $8.5 millions annually. Assuming consumption is not affected by the higher tax the Government can expect to collect $48 millions from this source in 1940.

Manufacturers Foot Bill

The tobacco industry has, of course, to pay all the other taxes that bear heavily on industry. Tobacco companies, like others, must pay the sales tax, income taxes, corporation taxes, real estate taxes, license fees and many others. The sales tax on tobacco products alone brings the Government between $3 and $4 millions annually.

Reference has already been made to the fact that a very large proportion of the tobacco business is supplied by a few units. By far the most important is the Imperial Tobacco Co. of Canada and affiliated companies such as Tuckett Tobacco Co., B. Houde Co. In the manufacture and distribution of cigarettes this organization controls 70% of the trade.

Second position in the industry is held by W. C. Macdonald Inc., a private company. Other important manufacturers are Benson and Hedges (Canada) Ltd., L. O. Grothe, Ltd., Rock City Tobacco Co. and the Royal Canadian Tobacco Co.



Twenty years ago 80% of the raw tobacco used in Canadian manufacturing was imported, largely from the southern United States. Gradually without antagonizing the smoker the bulk of that imported product has been replaced by tobacco grown in southwestern Ontario until at the present time the proportion is over 80% domestic.

Long Season Crop

Started Under Glass in March Tobacco

• Reaches Maturity in Early September

Coming originally from the southern part of United States tobacco is naturally a long season crop. It must be started early and to mature a maximum crop it must grow, uninterrupted by frost, late into the fall.

There is no place in Canada, even in the warm southerly section along the north shore of Lake Erie, where the growing season is free of frost long enough to produce a full crop if the seed is sown out of doors. Even the ornamental hardy type which amateur gardeners know as nicotine is started indoors.

To shortcircuit these brief Canadian seasons, therefore, growers start their tobacco indoors under glass. At the other end, by picking each leaf as it matures, instead of harvesting the whole crop in one operation, they make sure of getting some return no matter how early the first fall frost.

Started in Hotbeds

Seed is started in hotbeds or greenhouses under glass in March. Plants are transplanted to shallow beds still under glass, then when all danger of frost is past in May, or early June, the young tobacco plants are set outside in well prepared fields. Here all through the summer the crop is cultivated, fertilized and sprayed.

To guard against disease living over the winter in the soil the crop is rotated about the farm. Though some farmers grow tobacco on the same land every second year, the most approved practice is to follow a three-year rotation, that is tobacco the first year, followed by two other annual crops, then tobacco again the third year. In some of the older tobacco countries where disease is very prevalent up to a seven-year rotation is followed.

In August, harvest commences.

Improved Harvesting

In the early days of tobacco growing in Ontario, to save labor costs and because no other way had been considered, all leaves were harvested at one picking. Harvesting, of course, was delayed until even the upper and later grown leaves were of considerable size. Under such conditions sometimes the whole crop was lost if frost came along early in September.

Growers learned their lesson and now harvesting commences as soon as the first grown lower leaves are of good size. It is continued as the upper leaves develop until all are safely picked or the first frost cuts down the crop. Size of the crop under such conditions, of course, varies.

This fall, the writer was told total yield might well be over 70 million pounds if frost held off long enough to permit development of the last top leaves. Even a few degrees of frost is fatal to further growth and it also practically ruins any mature leaves.

Cured in Kilns

Immediately after picking the green damp leaves are taken to the farm kilns. These are wooden structures about 20 feet square and the same high. In the basement there is a furnace fed by oil, natural gas, coal or wood. Heat drives out about 50% of the moisture, about three days being needed to cure each batch.

The kiln is attended by a skilled curer, often brought in from the Southern States under a special arrangement with the Canadian immigration authorities. It takes from three weeks to a couple of months to put the whole farm crop through the kiln. Leaves go in soft, juicy and a dull green; come out dry and golden brown.

Thousands of Grades

From the kiln the tobacco goes to the big grading and packing houses at Delhi, Tillsonburg, Chatham, Leamington and Kingsville. From 500 to 2,000 hands are employed at each of these plants.

Here the farm tobacco is graded, bought according to these grades, then dried or moistened slightly to ensure uniformity. Under pressure it is then packed in immense hogsheads. In the latter it usually remains for at least two years before going to manufacturer for final processing. In the hogshead, incidentally, it continues to cure, going through an annual sweat every July and August.

Statistical Picture of Flue-Cured Tobacco Industry

Crop year	Total acreage	lb. yield per acre	Total quantity produced, lb.	Farm price, cents per lb.	Value per acre, $	Total revenue, $
1927	7,570	825	6,247,750	.3390	279.68	2,117,987.25
1928	10,898	800	8,718,400	.3100	248.00	2,702,704.00
1929	15,000	700	10,500,000	.2900	203.00	3,045,000.00
1930	17,200	720	12,384,000	.3200	230.40	3,962,880.00
1931	27,345	896	24,501,120	.2080	186.37	5,096,232.96
1932	27,754	995	27,615,230	.1630	162.19	4,501,282.49
1933	30,042	855	25,682,800	.1950	166.72	6,008,146.00
1934	24,536	919	22,548,584	.2470	226.99	5,569,500.25
1935	30,905	1,138	35,183,570	.2400	271.00	8,444,056.80
1936	35,701	684	24,426,895	.2928	200.37	7,153,534.62
1937	49,285	1,106	54,652,580	.2733	265.77	14,940,279.33
1938	58,600	1,160	73,250,000	.2311	260.00	16,120,000.00

Tobacco and War

Growers and curers in Ontario's flue-cured tobacco belt from a purely economic standpoint are not greatly concerned about the war. They are much more worried about future behavior of the large percentage of foreign born among their new population.

Tobacco, it is pointed out, is not like other crops. Though a luxury, it is sure to be wanted in wartime. Indeed, during the Great War, consumption increased amazingly, chiefly, of course, because it was then that women in Canada, Great Britain and United States started to smoke. No such increase can be expected again.

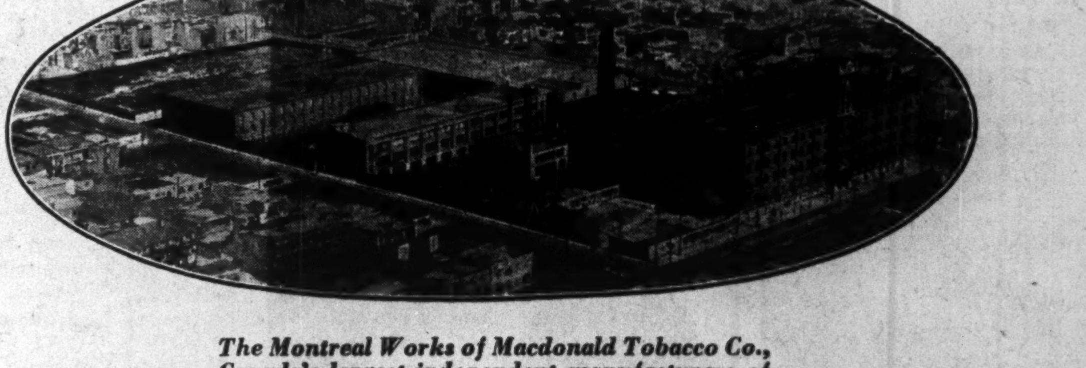
Because Canadian-grown tobacco is more accessible than that from United States, Rhodesia and India, chief competitors in the flue-cured field, there may be more demand in Britain for our product. Another factor pointing in the same direction is exchange. If the British pound continues to buy more Canadian dollars than American, there is an added preference for the exporter of Canadian tobacco. In some quarters, too, it is believed that Great Britain will desire to conserve her United States credit for the purchase of vital commodities she cannot get elsewhere. If this opinion proves correct, then tobacco enters the picture, as practical identical raw leaf is produced in both countries.

But the real reason why this year's tobacco crop and this year's war are so far apart, is the "curing lapse." The leaf now going through the kilns around the bustling village of Delhi will not go into cigarettes until 1941 or 1942. Long before that time the growers of this crop hope the war will be over.

In the meantime the tobacco is packed in giant hogsheads either on this side of the Atlantic or the other. It does not matter. It ages well in either place and if there is interference with shipping for a few weeks, again it does not matter because Great Britain normally carries a two years supply.

Tobacco Hail and Fire Insurance
effected at
Lloyd's, London
ANGLO-CANADIAN UNDERWRITERS
LIMITED
80 Richmond St. West - Toronto, Canada
In addition to covering all classes of risk through our brokers everywhere in Canada, we specialize in covering Tobacco Hail and Tobacco Fire risks throughout the entire Ontario Tobacco area.

A Contribution to Canadian Prosperity
The Macdonald Tobacco Company is the largest independent buyer of Ontario flue cured, air cured and burley tobaccos and its extensive purchases of Canadian grown tobaccos are of increasing importance to the prosperity of the "tobacco belt" counties of South Western Ontario.
The manufacturing and marketing operations of the Company represent in addition a widely diversified contribution to national business that reflects in increased employment and prosperity in every part of Canada.
Your purchase of Macdonald's products contributes to your own prosperity and the accompanying table shows in part how your money is returned into circulation in Canada.



The Montreal Works of Macdonald Tobacco Co., Canada's largest independent manufacturers of tobaccos and cigarettes. Established 1858.

MACDONALD'S
BRITISH CONSOLS
CIGARETTES
Extra Mild
SWEET OLD VIRGINIA
BRITISH CONSOLS

Summary of
JULY DISBURSEMENTS, 1939
Duties and taxes paid to Dominion Government in July .... $ 629,000.00
Freight a/c for month of July .... $ 27,355.00
Leaf tobacco used during month of July ... over 1,000,000 lbs.
Average number of employees during month of July 1,500

MACDONALD'S
Gold Standard
EXPORT
EXPORT

MACDONALD'S
CANADIAN CAPITAL - CANADIAN ENTERPRISE - CANADIAN LABOUR

CONSOLIDATED LEAF TOBACCO CO.
LIMITED
Buyers • Packers • Handlers
All types of Canadian-grown tobaccos for domestic and export markets
Flue-Cured Dark Air-Cured
Burley Dark Fire-Cured
also West Africans and Blackfats
Consolidated Leaf Tobacco Co. Limited
Kingsville, Ontario

Ontario's Tobacco Industry

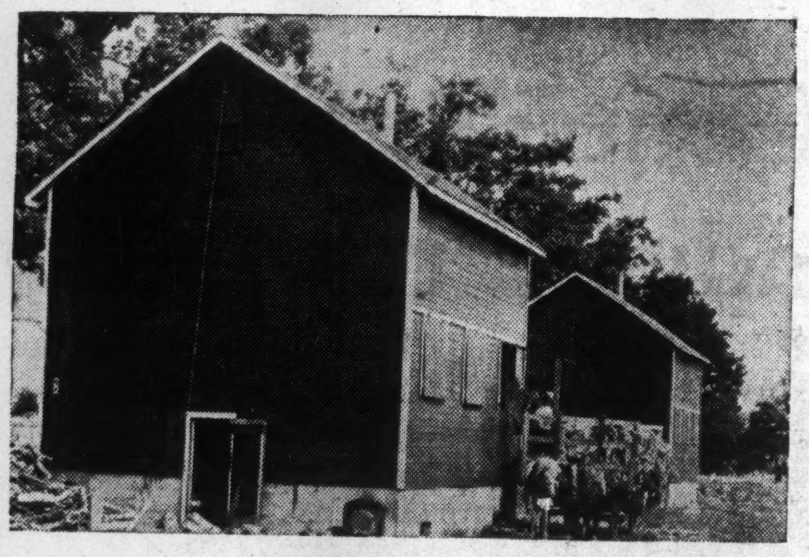
Stability of Production and Price Fostered by the Tobacco Marketing Association.

Ontario Bright-leaf Tobacco

THE flue-cured tobacco industry of Ontario has enjoyed a period of five years under a system of controlled production and orderly marketing which has resulted in profitable prices to growers, satisfactory buying conditions for buyers and no increase in price to the consumer.

As far as Western Ontario in concerned, this period has brought a good measure of prosperity to the tobacco-growing counties — a prosperity enjoyed not only by the growers themselves, but as well by most business interests in the district.

The factor in the industry responsible for this healthful condition is the co-operative understanding on the part of both growers and buyers which is given practical effect in the operations of the Ontario Flue-Cured Tobacco Marketing Association, whose members comprise over 90% of all growers of bright leaf tobacco in the province and all buyers in the entire Dominion.



Storing in the Kiln

Here, briefly, are the purposes of the Association:

To regulate, by mutual agreement among the growers, the volume of production insofar as nature will permit, so that there will be each year ample supplies for all available remunerative markets, but no unwieldy, price-destroying surpluses.

To establish in each year's market for all tobacco produced a minimum average price guaranteed by all the buyers.

To afford assistance to growers of a technical nature in respect to growing and curing in conjunction with the Dominion and Ontario Departments of Agriculture.

What has been the result to the industry under the stabilizing influence of the operations of the Association? The following table compiled by the Dominion Bureau of Statistics shows the trend from 1927. From the year 1934 it is clearly evident what results were obtained under the system of moderate controlled production and orderly marketing:

CROP YEAR	TOTAL ACREAGE	LBS. YIELD	TOTAL QUANTITY PRODUCED	FARM PRICE	VALUE PER ACRE	TOTAL REVENUE
1927	7,570	825	6,247,750	.3390	279.68	2,117,987.25
1928	10,898	800	8,718,400	.3100	248.00	2,702,704.00
1929	15,000	700	10,500,000	.2900	203.00	3,045,000.00
1930	17,200	720	12,384,000	.3200	230.40	3,962,880.00
1931	27,345	896	24,501,120	.2080	186.37	5,096,232.96
1932	27,754	995	27,615,230	.1630	162.19	4,501,282.49
1933	30,042	855	25,682,800	.1950	166.72	6,008,146.00
1934	24,536	919	22,548,584	.2470	226.99	5,569,500.25
1935	30,905	1,138	35,183,570	.2400	271.00	8,444,056.80
1936	35,701	684	24,426,895	.2928	200.37	7,153,534.62
1937	49,285	1,108	54,652,580	.2733	265.77	14,940,279.33
1938	58,600	1,160	73,250,000	.2311	260.00	16,120,000.00

Ready for the Market

The benefits to the industry from the operations of the Association have been derived at a mere pittance of cost. Including the expensive acreage control activities, the cost has not exceeded one-third of one per cent. of the sales, or one-tenth of a cent a pound on the tobacco sold.

Orderly marketing of farm products can be achieved only through co-operative effort. This is eminently true of the tobacco-growing industry. In Ontario such an effort has succeeded in bringing understanding, mutual confidence and profit to those concerned in the industry and whose faith in its future is founded on that principle.

FLUE-CURED TOBACCO MARKETING ASSOCIATION OF ONTARIO

SIMCOE, ONTARIO, CANADA

Your Investments

What We Do:

1. Give information on Canadian securities to Financial Post subscribers.
2. Publish anonymously letters of general interest.
3. Supply facts rather than opinions.

What We Don't Do:

1. Answer enquiries of non-subscribers.
2. Answer enquiries on foreign securities.
3. Reply by telephone or telegraph.
4. Select lists of securities; express opinions; or make forecasts.

Three-cent stamp and address label from subscriber's copy of The Financial Post must be enclosed. Address letters to The Financial Post, 481 University Ave., Toronto 2.

Can. Celanese

I am considering the purchase of Canadian Celanese stock and am wondering whether its business and earnings will be affected as a result of the war.

Canadian Celanese indirectly might be affected by war. Naturally there will be a great demand for textiles during the war. It may be difficult to meet the demand for woollen and cotton textiles, in which event Celanese fabrics can be used. Celanese and rayon products were not known in the last war. Since then their use has expanded very widely and undoubtedly there will be a demand for these artificial fabrics. Another point of importance is that natural products are not necessary in the manufacture of either Celanese or rayon, so that there is no limit to the production of these companies beyond the capacity of their installed equipment.

Ingersoll-Rand

What effect is the war and Canada's participation in it likely to have on the business of Canadian Ingersoll-Rand?

Canadian Ingersoll-Rand supplies a wide line of industrial machinery which is required directly or indirectly in the manufacture of armaments and munitions as well as in peacetime industry. Thus, even if the company were not engaged in making war materials itself, its products would be used in any expansion of industrial plants in Canada needed to provide war equipment. During the last war, the company made munitions.

Simpsons Ltd.

What do you think will happen to the sales of an organization such as Simpsons Ltd. during wartime? How do you consider purchase of its preferred shares?

The majority of industrial and merchandising organizations would prefer normal peacetime activities to any stimulant to business that they they will receive from war. It is difficult to forecast what the experience of an organization such as Simpsons Ltd. will be during the course of the present conflict. The uncertainty of the past few weeks has created a disinclination on the part of the public to buy goods.

Now that hostilities have become an actuality, the outlook is somewhat different. If the experience of the Great War may be looked upon as a reliable precedent, merchandising companies can expect slack business, until pace of war-stimulated industries reflects itself in increased purchasing power of consumers.

At present prices Simpsons' 6½% preferred stock offers an attractive yield. Earnings on the stock in the year ended Jan. 4, 1939, were $7.46 a share, against $7.18 a year ago. Dividends are being paid at the rate of $5 annually and an extra dividend of $1 a share on account of arrears was paid Feb. 1, 1939. Arrears at Aug. 1 amounted to $23.25 a share.

It is apparent that if the company experienced any great increase in business, it would be in a much better position to clear up these arrears.

The company is well regarded in its field and recently by offering to redeem the outstanding bonds of a subsidiary company, is attempting to simplify its capitalization. Working capital position is strong and the company may fare as well as any similar departmental store in the Dominion.

Liquor Stocks

How do you regard liquor stocks as an investment at the present time? I notice that yield on these stocks is high.

Stocks of liquor companies have always been high yielding in comparison with other concerns having similar earnings and financial position. The only important exception to this rule was the period following repeal of prohibition in the U. S. when it was known that a period of great growth was immediately ahead of these companies. Now they have reached a period of comparative stability when the market is not likely to expand in anything like the ratio of the early 1930's. Rather it is a question of competition and any gain made by one company is likely to be at the expense of another.

It is a little difficult to judge how a war is going to affect stocks of liquor companies such as Hiram Walker-Gooderham and Worts or Distillers Corporation - Seagrams. Heavier taxes have been imposed, which will probably depress sales in Canada. It must be remembered, however, that by far the greater proportion of these two companies' business is done in the United States and so far that country is not directly involved in this war. There is also the factor that production of munitions requires huge quantities of alcohol and that these plants are quite well adapted to make this product. It would not require any particular changes or additional investment to switch a distillery over to the production of commercial alcohol.

It seems most likely that these companies will be able to maintain their position in the liquor business in the United States among the leading companies. Periods of war in the past have also given rise to a renewal of prohibition sentiments.

Standard Paving

Can you tell me if the shares of Standard Paving & Material Co. have been listed? Do you expect war conditions to affect the company?

The new preferred and common shares of Standard Paving & Materials Ltd. were listed on the Toronto Stock Exchange July 24, 1939. The older shares were taken from the list and the new ones substituted.

The likelihood seems that road building operations will be generally stopped except in so far as they may be necessary to provide for Canadian defense or training programmes. For example, there will probably be some business available from the building of airports. It seems unlikely, however, that the Canadian municipalities and provinces will embark on much new road construction work for some time to come.

Hamilton Bridge

I notice that the preferred shares of Hamilton Bridge Co. have advanced sharply. Do you believe that this is due to the prospects of war orders?

Hamilton Bridge Co. may not receive direct war orders, but may experience increased business from other sources. For example, during the 1914-1918 period, Hamilton Bridge was active because of the building of new plants to cope with demands for war materials. A similar business could develop now. It is probable that the rise in price of this company's stock has been in recognition of the likelihood that industrial building activity may increase as Canada reaches peak production of required war materials.

It is expected that the new stock to be issued as a result of the reorganization will be available in the near future and that at the time this stock is issued, shareholders will receive a report on the company's operations and prospects. In the meantime, the company has received sufficient orders to keep its plant going until some more definite measure can be taken of prospective activity.

D. A. Stuart Sales Increase Sharply

Sales of D. A. Stuart Co. during the month of September showed a sharp upturn, The Financial Post is informed.

In the first three months of the fiscal year earnings were much improved over the corresponding period in the previous year. In the two months period, June and July, net profit increased $10,000 over the same two months in the preceding year, W. H. Oldacre, general manager of the company told shareholders at the annual meeting.

The company anticipates a much greater demand for high-speed cutting oil with increased production on armaments and munitions. This type of machine work requires specially prepared tool oil and it is believed that demand will keep pace with accelerated activity of industrial plants.

In the year ended May 31, 1939, earnings amounted to 43 cents a share on the 80 cents cumulative, participating preferred stock. This compares with 69 cents in the preceding year. Nothing was earned on the common in either of these years.

Canada Bread to Pay Dividend on Arrears

Canada Bread Co. has declared a dividend of 37½ cents a share on account of arrears on the class B preference stock, payable along with the regular quarterly dividend of 62½ cents on Oct. 2, to shareholders of record Sept. 23. Following this payment arrears on the B stock will be 37½ cents a share.

Regular quarterly dividend of $1.25 a share will be paid on the same date on the first preference stock.

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Savings of thrifty people like you and your neighbor built the city in which you live . . . its homes, its factories, its great buildings. Since 1855, the Canada Permanent has been helping people to save, and has been providing the funds which make construction possible. Firm faith in Canada, coupled with sound judgment, still governs the policy of the Canada Permanent. It is ready to serve YOU.

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Chem. Research Suits Continue

Pure Oil Cross Bill Would Block $30 Millions Damage Case

The prolonged court action between Chemical Research Corp. and several U. S. oil companies regarding ownership of patents covering polymerization and other gasoline refining inventions, took a new phase recently. Gyro Process Corp., a 60% owned subsidiary of Chemical Research Corp., has brought a $30 millions suit against Pure Oil Co., Alco Products Inc., The Texas Co., and The Texas Corp., for damages for fraud and conspiracy.

Pure Oil Co., on Aug. 28, 1939, filed a cross bill against Chemical Research asking the Wayne County Court, Detroit, to rule that Pure Oil is the owner of patents and applications for patents and inventions for various oil processing methods to which Pure Oil Company now holds the title and to permanently restrain Chemical Research from asserting a claim to such a patent and from bringing any legal or equity action against the Pure Oil Co. in respect of these patents. The court was also asked to rule that Pure Oil Co. had fully performed its contract of January 31, 1937, between Pure Oil and Chemical Research.

The Pure Oil court action is now to be heard in the United States district court following refusal of Judge Arthur Webster of the Wayne County circuit court to rule on a petition for removal filed by Edward N. Bernard, attorney for Chemical Research.

Ottawa Car Buys New Plant Site

Armament Division May Secure Munitions Orders

From Our Own Correspondent

MONTREAL.—Ottawa Car Manufacturing Co. has purchased 18 acres of land confronting the Trans-Canada Air Lines Uplands Airport, five miles south west of Ottawa. The company will have access to the airport.

The company has not disclosed its plans for the property, but it is assumed the company has in mind the expansion of its aircraft manufacturing facilities.

Ottawa Car Manufacturing Co. is one of the six firms participating in the Canadian Associated Aircraft Ltd. which has an order for bombing planes from the British Government.

The company expects to secure munitions business. Its armament division which was operated during the last war has been kept intact. In a statement to the shareholders of the company accompanying the 1938 financial statement, President Quain said, in part, "The armament division with its heavy and valuable equipment has been a great burden for many years. However, it was kept intact and is now available to fill any needs."

Fleet Aircraft Places Order in United States

From Our Own Correspondent

MONTREAL.—Kinner Motors Inc., Los Angeles, reports an order of $83,000 from Fleet Aircraft Ltd. for airplane engines. The order is for 50 Kinner R-5 series 2, 160 h.p., five-cylinder motors.

Shipment into Canada is barred by the Neutrality Act, but the order was accompanied by a letter of credit assuring payment upon delivery of the engines either to the company in Canada or to a warehouse in United States. It is possible the engines will be placed in storage in United States until Fleet Aircraft can legally take delivery.

Newfoundland Products Will Find Ready Sale

War Will Mean Increased Demand for Fish, Iron Ore, According to Experience of 1914-18 — See Economic Difficulties Eased

At least temporary easing of the economic difficulties of Newfoundland seem indicated as a result of war in Europe.

If the experience of 1914 to 1918 can be taken as a criterion, Newfoundland may expect greater demand for its principal products than for a number of years. Main reason for Newfoundland's difficulties in recent years has been depression in the fishing industry, due to disturbed and weak markets.

In 1914-18 fish were in great demand. Fishermen and merchants alike were busy.

Trade Expanded

Trade figures give an indication of the expansion in economic activity in this period. The value of exports rose from $13.1 millions in the year ended June 30, 1915, to $30.1 millions in the year ended June 30, 1918. Imports increased from $12.3 millions to $26.8 millions. A large part of the increase was due to higher prices, but there was also an increase in volume.

During the war period there was a sharp increase in exports of salt codfish, the Island's most important product then as now. Exports increased from 1,094,122 quintals in 1914 to 1,821,206 quintals in 1917 and 1,618,730 quintals in 1918. The average export value per quintal increased from $5.80 in 1913 to $14.46 in 1918.

Market Situation

Newfoundland's main markets for salt codfish at the outbreak of the Great War were Greece, Italy, Spain, Portugal and Brazil. Exports to Italy, Spain and Portugal showed marked increase immediately.

The market situation is, of course, different than it was in 1914. Greece, Italy, Portugal and Brazil are still large customers. But the latter takes a smaller amount than it did in 1914. Exports to the West Indies, on the other hand, are considerably larger. Jamaica took 130,684 quintals of Newfoundland codfish in 1938 and Puerto Rico 210,737 quintals.

Last year Newfoundland exported to Greece, 32,947 quintals of dried codfish and 106,864 cwt. of saltbulk cod, as compared with 62,508 quintals in 1914-15. Portugal took 196,842 quintals of dried cod and 20,472 cwt. of saltbulk, compared with 151,000 quintals in 1914-15. Italy bought 153,901 quintals of dried fish and 68,000 cwt. of saltbulk in 1938 as against 170,634 quintals in 1914-15. Brazil took 171,389 quintals as against 362,000 quintals in 1914-15 and Spain only 11,368 quintals as against 211,329.

At the moment the market outlook is somewhat obscure. It should, however, be possible to make larger sales in European markets, especially as the catch of the British and French fishing fleets is likely to be adversely affected by the war.

There may be an immediate increase in exports to Spain. The small amount exported to that country last year was due to the civil war. Now that civil war has abated there should be some resumption of Spanish purchases. The Italian market is uncertain due to lack of exchange. For some time now exports to Italy have been paid through the Italian Clearing House in London under an arrangement with the British Government. This has involved a delay of many months.

Expectations are there will be an increase in the price of codfish, but it is not likely to reach the high levels established in the latter part of the Great War. However, an advance to the 1914 level of $6.70 per quintal would give the fishermen considerably more than at present. In fact, export prices during the past year have been below the cost of production in most cases and the Government has had to bonus the fishermen. An increase to the 1914 level would not only aid the fishermen but would relieve the Government of a large liability in connection with its guarantee of minimum prices.

Newsprint Industry

The second most important industry in Newfoundland is pulp and paper and both of the Island's two mills are owned by British interests. A large proportion of the output of these two mills is shipped to England and the market there may be curtailed. Transportation to the British market may also present a problem. This situation may be offset by additional sales in the U. S. market.

The war will probably affect plans of Bowater's Newfoundland Pulp and Paper Mills for export of pulpwood to Great Britain on a large scale. It may also result in suspension of the expansion programme at the Corner Brook Mill which called for adding 100 tons daily capacity to the sulphite mill.

Wabana Iron Mines

As a result of war, Wabana iron mines on Bell Island, owned by Dominion Steel and Coal Corp., have lost their largest market—Germany. Last year these mines exported a total of 1.6 million tons of iron ore of which Germany took 1.1 million. Of course, Dosco's Sydney plant will now be taking more as a result of increased activity and it is possible that shipments to Great Britain will be increased. Other markets are being opened up.

War may affect the long-term rehabilitation programme of the Commission of Government. This programme has been financed by Great Britain, but grants for such purposes may be curtailed. On the other hand, more prosperous conditions, resulting from higher prices for fish will mean additional tax revenues.

Acadia Sugar Grants Time Extension

From Our Own Correspondent

MONTREAL.—Directors of Acadia Sugar Refining Co. have announced that an extension of one month has been granted to Anglo-Dutch Refining Co. to fulfill its purchase agreement.

The original agreement called for purchase of the business of Acadia Sugar by Sept. 30. The deadline has now been extended to Oct. 31.

Extension was granted under the war clause which permits Anglo-Dutch Refining not to proceed with the deal in view of the outbreak of war.

Acadia Sugar has obtained an order excluding it from the scope of the Public Utilities Act of Nova Scotia. If this order had not been obtained it would have been necessary for the company to obtain the approval of the Nova Scotia Board of Public Utilities of the sale of its properties.

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Jacques Cartier

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NEW MARKETS

THE courage and vision of Cartier opened up a new world. In the same spirit of adventure and enterprise, Canadians, assisted by this Century-old Bank, are continually making voyages of discovery in business. As new products are developed and markets found, the experience and facilities of this Bank are playing their part in Canada's March of Progress.

We invite business men to discuss their banking problems with us.

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The BANK of NOVA SCOTIA
OVER A CENTURY OF BANKING EXPERIENCE

Russell Indust. Makes Pref. Offer

Would Redeem 1,600 Shares at $125 Plus Dividends

Russell Industries Ltd. has advised holders of its preference shares of an offer to redeem 1,600 shares at $125 a share, plus accrued dividends. Payment would be made on Dec. 1, 1939, and, as dividends will accrue from October 1, the total payment to be made on that date for shares to be redeemed would be $126.17 a share.

As there are 9,600 shares of this preference stock issue now outstanding, the proposed redemption would reduce the issue to 8,000 shares, the same number and par value as the present common stock issue. Redemption would be on a pro rata basis so far as possible.

On March 4, 1936, shareholders passed a by-law by which the preferred stock became redeemable at the option of shareholders if and when an offer to purchase is made by the directors on behalf of the company. On March 1, 1938, $240,000 of the preferred stock was redeemed at $111.17 a share. The two redemptions, assuming that the current offer is fully accepted by shareholders, will reduce the present preferred stock issue from the original 12,000 shares to 8,000 and will have required $564,000.

Canada Wire Net Lower for 6 Mos.

Recent Upturn Indicates That Second Half Will Show Improvement

Business of Canada Wire & Cable Co. for the first half of 1939 has been lower, according to H. Horsfall, president, in a letter to shareholders accompanying the Sept. 15 dividend payment on preferred and class A shares. As a result net profits, as shown below, have been reduced moderately.

Mr. Horsfall adds, however, that since the beginning of July, "there has been a satisfactory improvement and it now appears that the second half of the year will show considerably better results, unless interfered with by European conditions."

Estimated Earnings
Six Months Ended June 30

	1939	1938
	$	$
Operating profit	335,700	350,567
Add: Other income ..	2,440	4,634
Total income	338,140	355,201
Less: Depreciation ...	115,260	114,154
Exec. sals., legal fees & inc. taxes	68,042	72,304
Net profit	154,838	168,743
Earnings per Share:		
Preferred	$5.39	$5.87
Class "A"	2.07	2.54
Class "B"	0.01	0.11

M. & O. Trustees Ask Holding Act Exemption

C. T. Jaffray, R. H. M. Robinson and S. M. Archer, trustees of Minnesota & Ontario Paper Co. have filed an application with the Securities and Exchange Commission, Washington, for exemption as a holding company and for exemption of each of their subsidiary companies from the provisions of the holding company act.

CANADIAN SECURITIES

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Municipal Bonds
Public Utility
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★

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● Dominion Battleship Linoleum ends the noisy clatter of boot-heels. It is resilient underfoot; sound-absorbing; shock-absorbing; a pleasure to walk on.

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● The first cost of a Dominion Battleship Linoleum floor tells the *whole* story. When considered in terms of years of wear, it is really insignificant.

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● Dominion Battleship Linoleum cuts janitor costs; it takes far less time and effort to keep clean. An occasional waxing is the only other care required.

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● Any competent Flooring Contractor makes a quick, efficient job of installing a custom-built Dominion Battleship Linoleum floor with a minimum of inconvenience to you.

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● When every detail of our simple specifications is carried out, Dominion Battleship Linoleum (AAA & AA gauges) is covered by our 5-year Guarantee. This is *real* protection!

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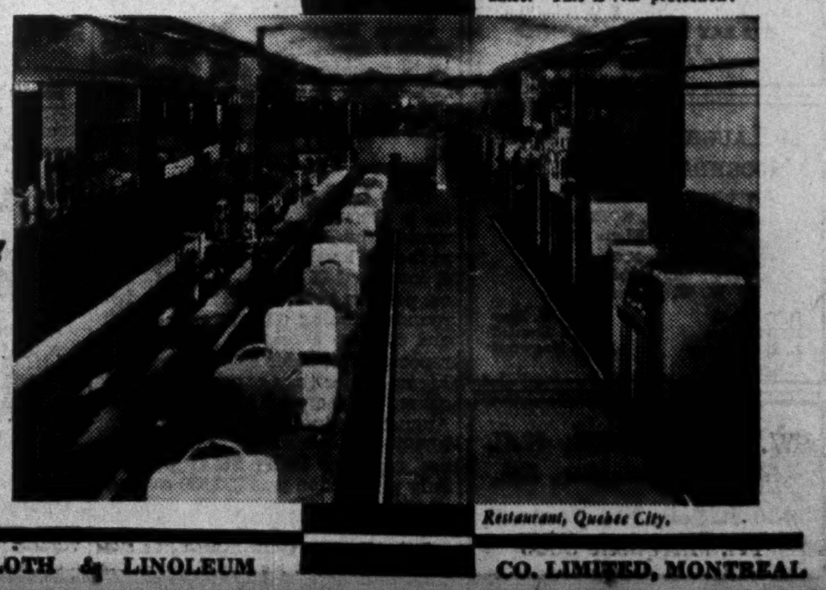
As one experienced restaurateur remarked, referring to his newly installed Dominion Battleship Linoleum floor: "This is the first really quiet floor I've ever had and my customers and staff certainly appreciate it."



Restaurant, Quebec City.

DOMINION OILCLOTH & LINOLEUM CO. LIMITED, MONTREAL

Week in Mining

Metal Price Decree To Stabilize Outlook

Understand Long Conferences Between Government and Producers Have Brought Agreement on War Prices and Markets

War problems were not the least of mine market troubles this week. The base metals are still affected by the well-founded rumor that Ottawa has some plans for base metal prices during war and that the pegged London prices are not the last word on the subject. Nearly all mine stocks suffered from the shock of the exchange control regulations which left brokers and investors pretty well buffaloed as to how the many rulings would affect their personal operations.

Although the procedure has not yet been decided, the government is expected before the week is out to decree base metal prices.

The munitions and supply board could do this if it were in operation but, failing action by the board, the Government can do it under the War Measures Act.

Ever since the outbreak of war, the major producers of base metals have been working in close co-operation with the Government. It is believed that decisions with respect to prices and markets have already been taken. The order, it is presumed, will clarify the situation and simplify the operations of the producers.

"Foreign Securities"

Many Canadians will doubtless be surprised to find themselves owners of familiar "Canadian" stocks which under the exchange control are considered "foreign" securities. We don't imagine it occurred to everybody that in such a list are included mines like Dome, Hudson Bay Mining and Smelting, International Nickel, Kerr Lake, McIntyre Porcupine, Nipissing, Sylvanite and Wright-Hargreaves.

But under the terms of the regulations, stocks whose dividend, or principal, is payable in United States funds are "foreign" securities. Canadian holders of these stocks at the present time, incidentally, are making a very nice yield when they count in their exchange "profit."

* * *

Much Difference?

The exchange control regulations have some points yet to be worked out perhaps. So far as mining is concerned, they are unlikely to make very much difference. Foreign holders of investment-type mining stocks are, for the most part, investors rather than traders, likely to be well content with leaving their capital here at a very good yield. This body of stock did not have very much effect on the character of trading in mining stocks in any case. Little foreign money has been going into mine prospects.

* * *

Tungsten?

Tungsten is one of the war metals which at present is not being produced in Canada. A small production is recorded between 1912 and 1917 and many parts of Canada have indicated tungsten-bearing ore, but not until the war in China disturbed usual tungsten sources, and war in Europe loomed darkly, did Canadian enterprise make a determined effort to develop this metal.

For some years efforts have been made to develop a property in Nova Scotia, the Indian Path Mine. This week investigation is being made of the Slave Lake Gold mines. A test shipment from there is reported to have returned 1.2% tungsten plus 3.15 ounces of gold. New financing interests are especially interested in the tungsten possibilities at the present time.

* * *

Moly Hunt

Molybdenum, another war metal, is now being talked by a young association in Canada, The Molybdenum Institute. Not many Canadian prospectors are familiar with molybdenum ores, it is stated. Some fear that the Climax Mine of United States has such giant reserves and such a power in the moly market that Canadian production might be difficult to dispose of.

Molybdenum interests here feel there is no difficulty in that regard. Regnery Metals has a test mill now in operation and quite a few properties with interesting showings, especially in the Sault Ste. Marie area, are being looked at. In eastern Ontario, it is stated, the old Spain Mine is to be reopened.

* * *

Sell More Zinc

Increasing zinc prices are probably the cause for Waite Amulet and Normetal both resuming shipment of zinc concentrates. Canadian zinc production was somewhat lower in the first half of this year, since some shippers found it unprofitable at prices then prevailing. Lead production declined over 7% in the six months, compared with the same period last year, probably reflecting the action of Consolidated Mining and Smelting in restricting its lead output to help improve the world lead price structure. Copper production was down slightly at 286 million pounds. Gold production showed an increase at 2,492,572 ounces, up 12.3%.

Past Profits To Fix Taxes On Most Mines

Profits Tax Then Takes Half Earnings Above 4-year Average

Study of the new taxes imposed by Canada's war budget on the mining industry confirms early belief that the impost will generally work out fairly and without discrimination between industries.

Some companies anticipate difficulty and claim lack of clarity in the Act, especially with regard to definition of "capital employed," but on the whole mining men feel the tax is as good as could be expected under the circumstances.

Of the two methods of tax computation allowed, practically all large mining companies in Canada are expected to pay tax on the "four year's average" plan rather than on the "capital employed" scheme.

Production of mines is relatively stable, hence increased profits such as might accrue to other types of industry in wartime are unlikely. Gold mines will probably find their costs rising, hence their profits little higher, perhaps considerably lower. Base metal mines, producing essential war materials, find that their products are virtually pegged at very modest levels, hence increased profits are unlikely to be very material.

Doubt Effect Great

Increased costs of operation plus limited prices for base metals will tend to decrease profits on current production, so that unless output is increased and at a corresponding profit, it would appear that many mines may be but slightly affected.

Like other companies, mines have the alternative of paying either a graduated tax on all profits in excess of 5% of "capital" or of turning over 50% of all profits realized above the average of profits for the four fiscal years from 1936 to 1939. Deficits are deducted from profits in determining the four-year average.

If the alternative of paying tax on profits over 5% of capital is chosen, the tax scale in force will be as follows:

Profits to Capital %	Rate of Tax %
0 to 5	nil
5 to 10	10
10 to 15	20
15 to 20	30
20 to 25	40
Over 25	60

The "four-year average" plan allows mining companies exemption up to the average profit, less deficits, for the years 1936 to 1939 inclusive. On this basis, most mining companies will have to pay little extra tax.

While mining is usually considered a big capital undertaking, the ratio of profits to capital invested is higher than for many industrial enterprises. This makes the exemption on the basis of 5% of capital invested too low for consideration for most mines.

Lake Shore an Example

Lake Shore is a good example of the application in practice. On the basis of "average earnings," earnings for 1940 will have to exceed $8,236,891 or $4.12 a share before the company becomes liable to tax. If the exemption of 5% of capital employed were allowed, the Lake Shore exemption from tax would be only $67,968 and the annual tax to be paid would run into the millions.

The large base metal producers are in a similar position, although the difference in exemptions on the two bases is not so extreme. Consolidated Mining and Smelting Co., 1935 to 1938, had average profits of $8,035,776 or $2.46 a share. On the basis of 5% of capital the exemption would be only $995,529.

Companies which have been realizing very small profits or deficits the last few years may favor the alternative, exemption of 5% on capital, that is if profits are realized in the future. Sherritt Gordon, for instance, has had deficits the last three years, and any profit this year is not likely to wipe out accumulated deficits. On the capital basis, Sherritt can have earnings up to $293,723 or 5 cents a share before liability to tax. On the next $293,723 of profit 10% tax would have to be paid.

A number of new producers may, also, find it better to take the exemption on the basis of capital rather than on profits averaged over a four-year period. East Malartic and Chesterville may be in this category, but until their year's production record is indicated it is impossible to be explicit.

Brown Oil Corp. Revenue is Lower

Smaller Field Allowable Affects Brown-Moyer-Brown Group

Net revenue of Brown Oil Corp. for August amounted to $25,820 compared with $32,755 the previous month, the decline being due to a reduction in the field allowable from 28,000 to 22,000 barrels on July 28, the company reports.

Results of the Brown-Moyer-Brown group as a whole showed the same trend as those of Brown Oil, decreases being shown both in production and net revenue. During August, the group produced 79,691 barrels of crude oil against 104,407 barrels the previous month. Revenue after gross royalties was $75,141 down from $98,617.

Details of revenue and production of various wells in the group for August is as follows:

Producing wells:	Net sales to pipe line bbls.	Gross revenue $	Net rev. $
Brown 1	7,615	9,908	7,431
Brown 2	8,022	10,056	7,542
Brown 4	6,648	8,577	6,433
Brown 5	4,684	5,886	4,414
B. & B.	2,887	3,761	3,009
Four Star	6,637	8,213	6,365
Inter-City	4,600	5,062	3,796
Royal Crest	5,562	7,098	5,607
T.V.R.	4,704	6,021	3,914
Three Point	1,909	2,406	1,864
United No. 5	9,043	10,992	8,244
Vulcan-Brown	15,152	18,367	14,235
Westside	2,228	3,049	2,287

Mining Concentrates

Bidgood Kirkland Gold Mines is putting the mining plant at its No. 1 shaft in condition and operations will get under way there shortly. Some ore was opened up there by a previous company when the price of gold was $20.67 per ounce. When work gets under way at No. 1 shaft, sinking of the No. 2 shaft to 2,100 ft. depth will be started, the company states.

* * *

Cariboo Gold Quartz had net earnings of $132,200, or 9.9 cents a share for three months ended July 31, 1939, bringing profit for the six months to July, 31, to $230,663 or 17.3 cents a share. Six months production was $833,281, average recovery $15.29 per ton. Development on the 1,600 and 1,700-ft. levels in the Sanders zone is said quite satisfactory, but on the 1,800 and 1,900-ft. levels in the Rainbow zone, the number of high-grade veins encountered to date has been below average. Development raises above the main level in the Pinkerton zone are well advanced with stations and pockets on the 2,000-ft. level of the No. 1 shaft being completed. A crosscut will be run through the northwest part of the property at this level. At July 31, 1939, ore reserves were 342,750 tons averaging 0.45 oz. gold per ton, a net increase of 40,585 tons since Jan. 31, 1939.

* * *

Cournor Mining Co. has opened a length of 95 ft. of ore in the 620 drift on the Beaufor section. This development is considered important as the 501 vein previously was thought to break up before reaching the 600-ft. level. The 674 vein at the Cournor mine has now been opened up for a total length of 146 ft. with the vein varying in width from 2 to 15 ft. The grade is stated good throughout. The 665-ft. crosscut now being driven across the old South Beaufor claim has reached the first favorable area. No veins of importance have yet been encountered, but many small veins and mineralized bands have been encountered and ore is expected soon, the mine manager states. Production for August was $55,156, average recovery of $8.76 per ton, a considerable increase over the previous month.

* * *

Dome Mines has declared two regular quarterly dividends of 50 cents a share. The first is payable Oct. 20, to shareholders of record Sept. 30; the second is for Jan. 20, 1940, to shareholders of record Dec. 30.

* * *

God's Lake Gold Mines has picked up a second ore shoot in drifting west of the Powder House Bay fault at the 6th level, the company reports. A length of 65 ft. has averaged 0.31 oz. per ton across 4 ft., the last two rounds running 0.78 oz. across 4 ft. and 0.87 oz. across 3.5 ft. It is also reported that older stopes are standing up better than expected and this caused an increase in production in August. Production for the month of $97,545 was a new record, an average recovery being $15.41 per ton. July production was $82,530 average of $14.18.

* * *

Lake Rowan Gold Mines has suspended work at its Red Lake property owing to war. From Feb. 1 to Aug. 18, 1939, 100 ft. of vein was opened up west of the shaft at the 250-ft. level averaging $42.10 per ton across 13.5 inches. A length of 60 ft. was also opened up east of the shaft averaging $13.10 across 15 inches with the east face still open. On the 400-ft. level 43 ft. was opened up west of the shaft averaging $23.76 across 10 inches. At June 30, 1939, current assets were $5,324; current liabilities $4,194. Annual meeting, Sept. 28 in Montreal.

* * *

Malartic Gold Fields completed 1,013 ft. of drifting in August, 70% of which was in good grade ore, the company reports. The "1-A" drift on the 175-ft. level was advanced 204.6 ft. averaging $15.75 grade of ore across greater than drift width. On 300 level, the "2-A" drift was advanced 137 ft. This vein is stated now to have in excess of 500 ft. of continuous ore wider than drift width averaging $11.90 per ton. The entire drift averages about $10. Ore has also been opened in two cross veins at this level. On the 450-ft. level, the "3-A" west drift was advanced 201.9 ft. to 544.9 ft., the last 340 ft. averaging $10.85 or a slightly greater length with lower values over drift width. The crosscut 350 ft. north cut a normal width of 19.7 ft. averaging $10.50 per ton. Ore developments are said such as to indicate no difficulty in feeding the 300-ton mill when it comes into operation around Dec. 15, 1939.

* * *

McWatters Gold Mines has declared two dividends of 10 cents each, the first payable Oct. 10, 1939, to shareholders of record Sept. 30; the second payable Jan. 15, 1940, to shareholders of record Jan. 5, 1940. The last previous payment was one of 5 cents a share on Oct. 30, 1936. The winze is stated to have been completed to a depth of 1,200 ft. from the 900-ft. level and three new levels are now being opened up.

* * *

Northern Empire Mines Co. showed increase in both the tonnage and total recovery in August:

1939:	Tons milled	Tons daily	Recov. per ton $	Total recov. $
August	6,007	194	13.49	81,058
July	5,590	180	14.12	78,955

* * *

North American Molybdenum Corp. has acquired the Spain mine in Renfrew twp., Ontario, and plans to reopen the property of about 500 acres. In previous work a 50-ton mill building was erected. Test shipments are said to have yielded high returns. Authorized capital of the company is 500,000 shares of which 150,000 were issued for property.

* * *

Preston East Dome Mines treated a record tonnage of ore in August.

1939:	Tons milled	Tons daily	Recov. per ton $	Total recov. $
August	13,161	425	11.63	153,060
July	12,061	389	14.69	*177,253

*Includes $17,000 for clean-up of ball mill.

* * *

Perron Gold Mines is obtaining good drill results from stopes previously thought exhausted, adding materially to tonnage above the 625-ft. level. Two holes drilled have cut the downward extension of the 415 vein; four sections totalling 9 ft. gave grade varying from $7.70 across 3.3 ft. to $16.80 across 1.6 ft. Upward extension of the 610 vein cut in hole No. 466 assayed $43.75 across 3 ft. and the downward extension cut in hole No. 473 showed $36.40 across 1.3 ft. All stopes are said to have stood up well during the month, with no mining yet done below the 625-ft. level.

* * *

Regnery Metals has started a 15-ton test mill at its molybdenum property near Hawk Junction, Michipicoten, Ontario. Millheads the first two days of milling are said to have averaged .75 to 1.15% molybdenum. If results are as expected it is stated a larger mill, possibly of 200 tons capacity, will be erected. Diamond drilling and lateral work at the first level are said to have indicated 172,000 tons of molybdenum ore averaging 1.10% molybdenum to a depth of 300 ft. At present quotations, the ore has a value of about $7 a ton.

* * *

Sherritt Gordon's large group of claims at Schist Lake is now being surveyed by George Weber and it is understood a geophysical survey is also to be undertaken. Exploration crews have been working on the property for several months, the nucleus of which was taken under option from the Thompson Brothers of Cranberry Portage and the balance staked by the company. Surface work and diamond drilling, it is said, has resulted in outlining some sizeable ore bodies with commercial copper and zinc values and also gold and copper content.

* * *

Siscoe Gold Mines had profit of 3.4 cents a share in three months ended June 30, 1939, the same as in the preceding three months, but considerably lower than the 5.6 cents earned in the second quarter of 1939. Development was continued at the same rate. In upper levels, extensions have been found for already located ore bodies. In the deeper levels some ore indications have been found by diamond drilling. Many of the vein intersections thus far are small but in one instance extensive width of quartz was cut. Deep diamond drilling is to start at the 19th level to the east. Major portion of the mill feed is being drawn from the upper levels. A large part of the coming year's requirements for operations has been contracted for at present prices.

Quarterly Earnings
Three Months Ended June 30

	1939 $	1938 $
Gross income	493,455	630,457
Less: Oper. exps.	267,414	293,959
Gross profit	226,041	336,498
Less: Depreciation	41,230	37,205
Tax reserve	28,329	40,899
Net profit	156,482	258,394

* * *

Spud Valley Gold Mines showed considerable increases in both tonnage of ore milled and in total recovery in August.

1939:	Tons milled	Tons daily	Recov. per ton $	Total recov. $
August	1,773	57	31.31	55,510
July	1,610	52	26.28	42,307

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Week in Oils

Want Full Advantage Taken of Oil Riches

Save For Arms Purchases By Using Dominion Raw Material, Oil Man Demands—New Tests Give Promising Indications

From Our Own Correspondent

CALGARY.—The Alberta oil industry is ready for immediate expansion of production. Authorities declare Turner Valley's present oil wells could be opened up at once to produce more than 40,000 barrels per day. It is widely maintained Turner Valley wells could maintain this flow through a long war if drilling is continued at its present rate, and results are anywhere near as successful as during the past three years.

To meet the war emergency, Canada can count on oil from Turner Valley alone to the extent of 15,000,000 barrels a year—more than double the output of last year, and twice as much as the peacetime requirements of the field's present marketing area, it is asserted. Additional vital oil reserves will be opened up by success at any one of the 18 wildcat structures now under test.

"Save For Arms"

To Canada at war these facts are of major importance. G. A. Gaherty, president of the Calgary Power Co. and the Montreal Engineering Company, speaking here recently, said: "The best method of building up war purchases from the United States is by curtailing other imports wherever Canadian products can be substituted. In this war, unlike the last," he declared, "Canada cannot count on borrowing money from neutral countries to finance purchase of war materials. Every dollar that we avoid spending in neutral countries on other than needed armaments means just one dollar more available for the purchase of what we may require for the successful prosecution of the war." Materials which could be wholly or partly substituted are oil, coal, sugar.

* * *

Drilling Boom?

Anticipation of crude oil price rises and an increase in demands for Alberta oil resulting from the new war seems likely to provoke a new drilling boom in western Canada. Typical of the new attitude is the announcement by Anglo-Canadian that it is prepared to spend a further $1 million on development. Other larger producing and development companies have indicated war will not upset their plans and, if anything, intensify their search for crude.

* * *

$2 Millions Programme

Already have emerged new drilling programmes costing at least $2 millions, of which some $700,000 is new money from investors, the balance revenue from present production. The programme at the moment involves 10 new wells for Turner Valley and three for the "wildcat" areas. They bring the total number of active tests in Turner Valley to about 25, and the number of drilling tests in 18 "wildcat" areas to 24.

New Turner Valley wells include: Alberta Oil Incomes Ltd. Nos. 1 and 2; Anglo-Canadian-Phillips Pete Nos. 1 and 2; Arrow Royalties Ltd. No. 1; East Crest Oils No. 5; Extension Oil Company No. 3; Kamalta Syndicate Ltd. No. 1; Royalite Oil Co. No. 47; and Southwest Petroleums Ltd. No. 3. Arrow has already spudded. The others will spud during the next few weeks.

The new "wildcats" include a test to be drilled at Sheppard Creek, 12 miles south of Turner Valley, by Alberta Pacific Consolidated; a well in the Steveville area by Standard Oil Co. of British Columbia; and a test in the Lloydminster area by the Highwood Sarcee Oil Co. Ltd. All three will be drilling before the end of the month.

* * *

Three "Key" Wells

Three "key" Turner Valley wells have topped the Madison limestone producing horizon and will be completed by the end of this month. Each of the three, because of its location, will exert a big influence on further development.

Most important is Argus Royalties 1, on the central west flank, financed largely by Anglo-Canadian, Pacific Pete and C. & E. Corp. Argus topped the lime at 6,909 feet—a shallow contact indicating the possible productive zones in this area will be somewhat wider than the producing southwest flank. Production at Argus probably would open up an area as large as the south end, with its more than 80 producing wells.

Next in importance is Royal Canadian's 3, a south test which topped the lime at 8,379 feet. This well is drilling into the limestone 120 feet lower on structure than the present deepest producer, Anglo-Canadian No. 5, and about 450 feet higher on structure than the Scottish Pete test, which encountered salt water in the lower lime.

Third test to reach the lime was Royalite 42, a south end well.

* * *

Two Wildcats Show

Home Oil's Brazeau field test encountered its first show of production recently when the cable bit penetrated the McDougall Segur sand at 6,645 feet. A heavy gas flow hurled the bit up into the hole, jamming it in the casing. The lime is expected around 7,900 feet.

* * *

In the Del Bonita field, near the U. S. border, Terminal 2 well is now being acidized and company officials consider production possibilities better than at Terminal 1 with its 30 barrels high gravity crude daily and 2 million cubic feet gas daily.

* * *

Ottawa Inquires—

The Dominion Government has already made enquiries as to the possible stepping-up of Alberta oil production. The question of mobilizing oil reserves will likely assume a greater importance when and if United States modifies its neutrality legislation.

War Means Problems For Candn. Exporters

Rates Go Up and Cargo Space Is Difficult to Book

REQUISITION SHIPS

From Our Own Correspondent

MONTREAL.—Although the war is only a little more than two weeks old, shippers here report that they are already having difficulty in booking cargo space for shipments overseas.

Canada's export trade will, without doubt, suffer disturbance as a result of war in Europe. But, shipping circles are confident present difficulties will be overcome and food and war supplies will soon be moving in a steady stream to Great Britain and France.

It was impossible to have any prearranged plan ready to be put into immediate effect on declaration of war. No one could predict where various boats would be when war broke. Ships have had to be repainted; some equipped with guns.

A number of Canadian Pacific Steamships and Cunard White Star ships which make regular calls at Canadian ports have been commandeered by the British Government as troop or supply ships. Others have been requisitioned and are being outfitted as merchant cruisers.

Shipping Costs Up

Another factor is the sharp increase in shipping costs. Insurance rates on ships and cargoes took a tremendous jump. This, of course, has been reflected in ocean freight rates. Cost of moving some types of goods is now almost prohibitive.

Increase in ocean freight and insurance rates will affect more than one Canadian exporter adversely. It will mean that it will be impossible to continue to export some types of products. Customers will not pay the price.

Shortage of Tonnage

As in the last war, there is also bound to be a shortage of bottoms. Considerable tonnage may be sunk during war. Secondly, much tonnage will be diverted from normal peacetime traffic to war purposes. Thirdly, tonnage available for commercial cargoes will give preference to essential war materials and foodstuffs.

The possible shortage is one of the most serious problems Canadian exporters will have to face during the war. Shipping from Canada to Great Britain will be speeded up in the near future. When the submarine menace has been reduced and the convoy system organized there will be a steady stream of war materials and foodstuffs to Great Britain. The flow of other products and to other markets will be disturbed.

Long Delays Possible

Shippers of "non-essentials" both to Great Britain and other countries may be faced with long delays in getting their products to markets. This happened in the Great War. In fact, the shortage of bottoms in the latter part of the war was so great that Canadian Pacific Steamships even had to limit the amount of mail carried.

For British ships there will be no schedules, though boats of some of the neutrals may attempt to maintain some of them.

British boats now plying between Canada and countries other than Great Britain will probably be diverted from regular pursuits to carry supplies to Great Britain.

All ships of British registry are subject to call by the British Admiralty and their movements will be controlled by that body. Little or no information will be available as to sailings, which will depend to some extent on convoy arrangements.

Ministry of Shipping

The British Government has already announced it intends to form a Ministry of Shipping. This may result in all British ships being requisitioned by the Government. If this is done, the Ministry of Shipping will decide what cargoes are to be carried and the rates. Naturally, essential war materials and foods will get preference. It is even possible boats will be taken over on a basis whereby the owners will be paid a sum sufficient to cover operating costs, insurance charges, interest and depreciation.

It is generally accepted that ocean freight rates will not be allowed to climb to the heights reached during the last war. At that time, especially during the early years of the war, large profits were made by shipping companies.

Insurance Problems

Ships of some neutral companies are now handicapped by lack of government insurance schemes. During a war period it is impossible for insurance companies to carry the entire risk, and the United States Maritime Commission has already applied for authority to institute a scheme of government insurance.

For British vessels part of the insurance is carried by the British Government and part by insurance companies. In addition, British shipowners, as in the last war, have instituted a scheme of Club Pool Insurance. Purpose is to protect them against losses where the coverage accepted by the insurance firms and the Government is not sufficient.

Queen Mary Tied Up

There has been some conjecture as to how luxury liners like the Normandie and the Queen Mary will be used. These two boats are tied up in New York at present. It is held possible they will be left there for the duration of the war. Because of their enormous size, their scope of service is limited. Furthermore, war risk insurance costs for such liners is enormous.

The largest Canadian owner of a fleet of ocean steamships is the Canadian Pacific Railway. All of its ocean steamships, with the exception of the Empress of Russia and Empress of Asia, are of British registry. In the last war the Canada Steamship Lines entered ocean service with a number of boats when the shortage of bottoms became acute. At present it has about 30 boats on the Great Lakes which might be used for ocean service. If the shortage becomes acute some of these may be pressed into service on the Atlantic. This would depend, however, on whether they could be spared from the Great Lakes.

Lake Sulphite Pulp Scheme Under Way

From Our Own Correspondent

MONTREAL.—Plans for the reorganization of Lake Sulphite Pulp Co. have been revived. For some months past prospects for an early rehabilitation of the company were not especially promising because of the unsettled outlook for the pulp market. The latter has undergone a marked change for the better in the last three weeks and it is understood that there will be no particular effort involved in securing the necessary capital to put Lake Sulphite on its feet.

It will take about six months to put the plant in condition for operation. Further it is understood that once the reorganization is carried out, initial production will be limited to unbleached sulphite pulp. Later the company may switch over to high-grade bleached sulphite pulp.

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Canada's War Metals — Copper

Allied Supply Grows Fast But Enemy Faces Real Want

The Financial Post herewith presents the first of a series of surveys on the munitions metals, answering questions raised by the present situation.

What was the copper situation for the Allies in the last war?

In 1914 only a small amount of copper was being produced within the British Empire and most of Britain's copper supply was purchased from foreign countries, mainly from United States which was then producing nearly half the world's copper.

Now, the British Empire is self-sufficient on a peacetime demand basis and may be able to produce all the copper necessary even for war. Canada has increased its production about seven times that at the beginning of the last war. British Rhodesia has reached the place where it has even a greater copper output than Canada.

* * *

Where is copper used in munitions manufacture?

Main uses are in making brass casings which hold charge behind artillery shells, for soft copper driving bands on shells themselves and for shell fuses. In addition, various fittings for guns are of copper. Of course, it is a vital metal in many machines and pieces of equipment for which there is big wartime demand such as motor cars, trucks and certain types of dynamos and electric motors.

* * *

Is it important for the British Empire to have her own copper supply?

Very much so. Purchases on credit during wartime are virtually ruled out in this war. If copper has to be bought outside the Empire, valuable supplies of foreign exchange abroad are depleted.

Buying copper at home also protects the nation against soaring prices and profiteering. If it buys abroad, it must pay the price asked. Buying at home it can exercise government authority to prevent undue price increases.

* * *

Can Canadian copper producers expect an important share of war demand?

Yes. Copper is an important war metal and as the United Kingdom already purchases the bulk of Canadian copper it will only be natural that Canadian producers supply war needs.

Rhodesia produces copper at lower cost than the average Canadian mine but Canadian producers can get along quite well with copper at its present levels. The British Government appears to have virtually pegged the copper price at £51 which is slightly over 10 cents a pound.

Canada also has a geographic advantage. She is closer to Great Britain and keeping the Atlantic sealanes open is less difficult than with some routes to the southern hemisphere.

Canada already has a large industrial capacity to use raw copper and government policy both in London and in the Dominion is to build Canada into an Empire arsenal. This means that a big demand for raw copper for war purposes will develop at home.

* * *

Can Canada increase her present production of copper?

Readily, especially if lower grades of ore can be mined profitably with a higher copper price.

International Nickel is Canada's largest producer of copper and has a number of mines that are capable of economic production at short notice if productive facilities were expanded to take care of larger ore production. Two years ago, Consolidated Mining and Smelting Co. stated that it had several copper properties which could be placed in production at small expense. These two are the old Anyox property of Granby Consolidated and Coast Copper.

A number of properties exist in the Sudbury area which could be developed into copper producers under proper conditions. These include Sudbury Basin, Treadwell Yukon and Denison deposits. In Quebec the Eustis mine might be reopened if copper were at a higher price.

This of course, does not include unproved prospects and new finds which might be developed.

* * *

What facilities has Canada for treating copper at present?

In the last war Canada had no electrolytic copper refineries. Now Canada has three copper refineries. These are the International Nickel subsidiary, the Ontario Refining Co. at Copper Cliff, which treats all the International Nickel and Sherritt Gordon output, Canadian Copper Refiners at Montreal, a subsidiary of Noranda Mines, which treats the Noranda and Hudson Bay Mining and Smelting Co. output, and a refinery of the Consolidated Mining and Smelting Co. at Trail, closed down at present. The refinery of the Canadian Copper Refiners is being enlarged.

After refining copper comes fabrication, and Canadian equipment for this will likely be much better than at the end of the last war. Noranda Mines has been the leader in fabrication of Canadian copper in Canada and is interested in Canada Wire & Cable Co. with a copper rod drawing plant adjacent to the refinery of Canadian Copper Refiners in Montreal.

In the last war the Canadian copper output had to be shipped abroad in the raw state. Hence the opportunity was lost of fabricating copper in Canada, as once the metal had left the country it was not so likely to return for fabrication due to freight costs. Most of Canada's copper probably went to the United States during the war.

* * *

Where have Canadian copper producers been selling it?

Canadian copper producers have been selling their output in Great Britain for two reasons. First, the London metal market has been the dominating metal market of the world and Canadian producers feel that fluctuations of prices in a large market are likely to be less than in a smaller market like New York. Second and main reason is the United States tariff of 4 cents a pound against foreign copper which effectually bars Canadian copper entering the American market. The United States price for copper seldom rises more than a cent above the world price and a difference of 4 cents a pound would be necessary to tempt Canadian copper output there.

* * *

Is there any evidence that nations now at war have been building up their supplies of raw copper so that war is unlikely to result in increased demand, at least for the present?

No one knows just what supplies of copper are held by the various warring countries. France is understood to have purchased 50,000 tons of copper in the New York market before the outbreak of hostilities. The British action in fixing the price for supplying copper at £51 a ton also appeared to denote either a large supply of copper available from which copper can be issued to keep the price at the desired figure or that production and consumption can be controlled so effectively that the £51 price can be maintained. It is extremely unlikely that Germany would start even a small war without building up a supply of copper but here again data remains an official secret.

* * *

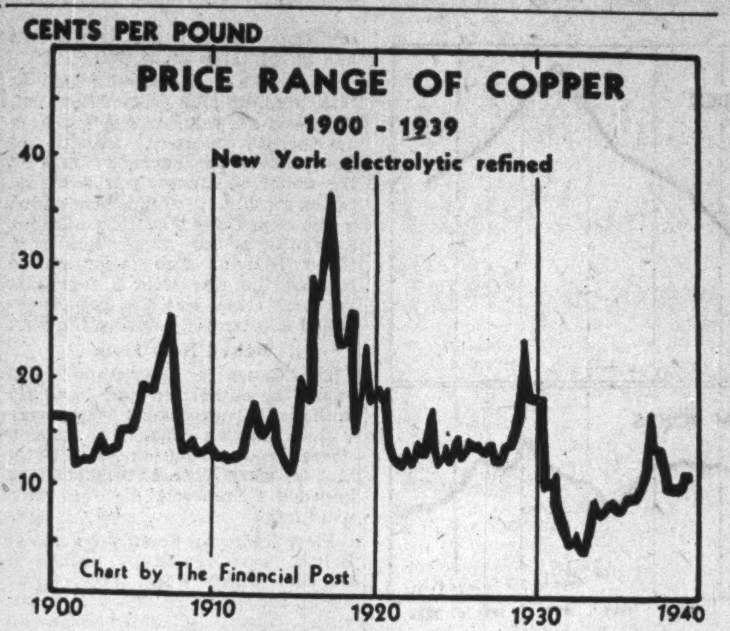
Has Germany enough copper for war needs?

No. Germany has been trying to improve her copper position and in recent months when it seemed that war might still be averted, Germany was one of the largest buyers in the world market. The total copper production of Europe would not be enough to meet Germany's needs. Even Russia is producing more than she produces.

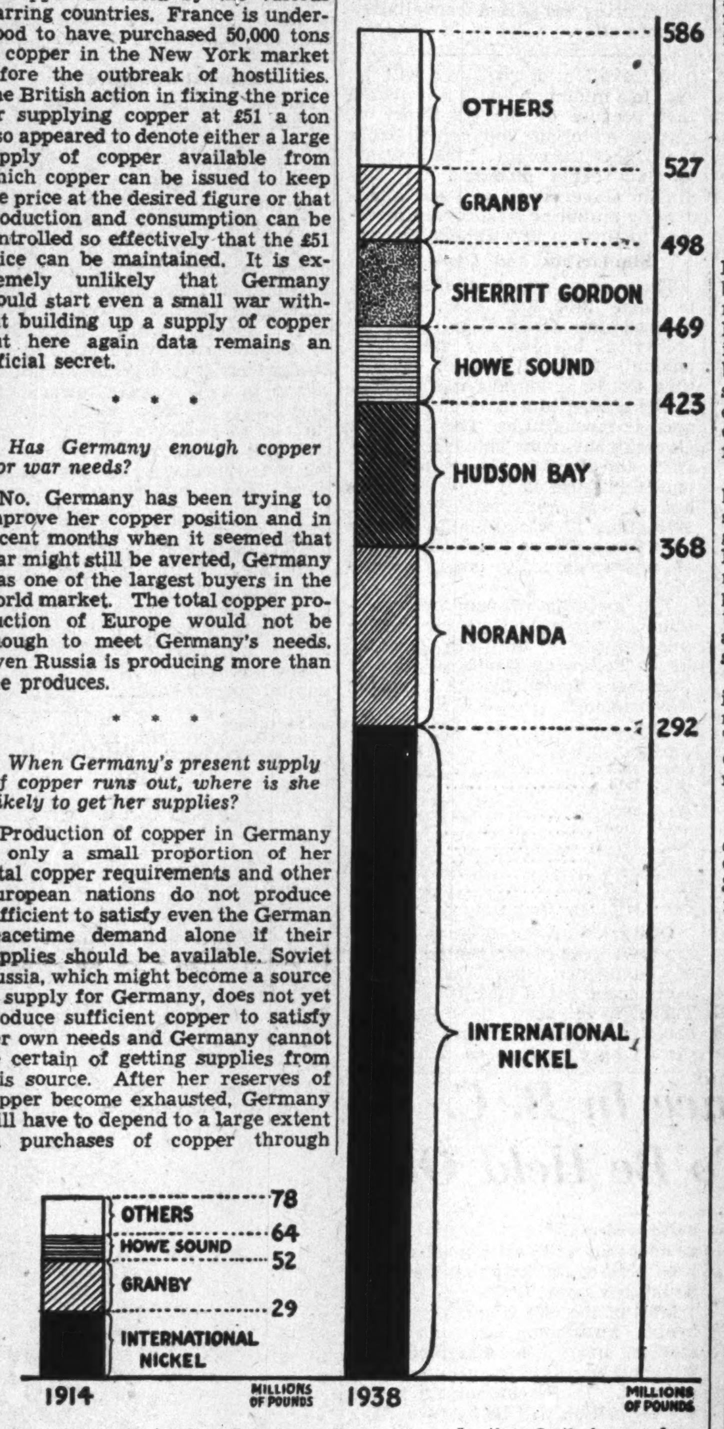
* * *

When Germany's present supply of copper runs out, where is she likely to get her supplies?

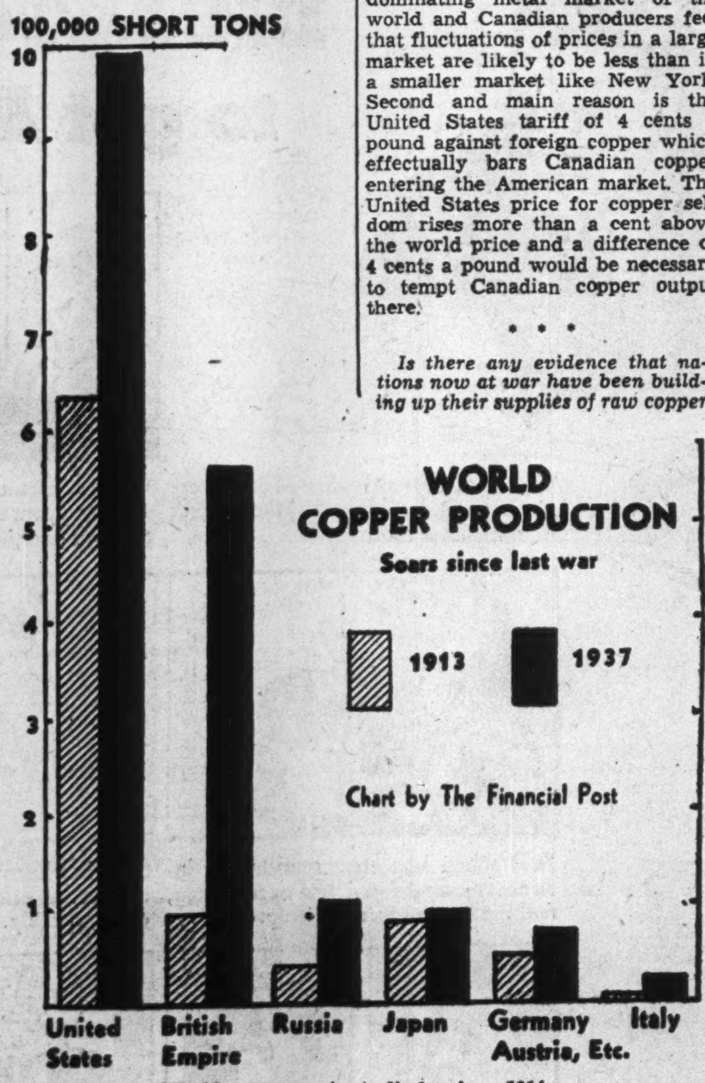
Production of copper in Germany is only a small proportion of her total copper requirements and other European nations do not produce sufficient to satisfy even the German peacetime demand alone if their supplies should be available. Soviet Russia, which might become a source of supply for Germany, does not yet produce sufficient copper to satisfy her own needs and Germany cannot be certain of getting supplies from this source. After her reserves of copper become exhausted, Germany will have to depend to a large extent on purchases of copper through neutral countries. These countries may be unwilling to act as intermediaries for the Germans and the British blockade may also be a big factor.



Copper prices gyrated in last war.



Dramatic growth in Canada's annual copper production, both in number of producers and volume of output, is seen in this chart.



World copper output climbs since 1914.

Mining Enquiries

Operating Costs

Please give me whatever information you can on the effect of war on mining operations.

Operating position of mines in wartime is chiefly affected in two ways. Supply costs of many of the products which the mine must purchase increase and labor costs also tend to rise. Costs of explosives are particularly susceptible and they are one of the big expenses in mining. Charges such as depreciation and deferred development are usually little changed due to war conditions.

Labor costs in the last war increased sharply due to the withdrawal of about 500,000 men for service abroad. It is too early to estimate how great the Canadian contribution in men will be in the present struggle but actual shortage of labor should not occur for some time.

In the last war base metal mines increased their output very considerably under the stimulus of high prices and this allowed a spreading of overhead costs. High prices may not prevail now, however, and pegged prices are already in effect. Gold output changed but little in the Great War but increased costs forced the closing down of both Hollinger and Dome for short periods. The present situation is different in that gold has gone to a premium. This premium may more than offset any increase in costs for a long time to come.

Hollinger Consolidated

I am informed that the ore position at Hollinger Consolidated appears more promising than for some time. Can you give me any information on this point?

While ore developments at the Hollinger Consolidated recently have been generally favorable it appears new ore on the 4,200- and 5,000-ft. levels is currently the most promising. It gives indication that ore bodies at Hollinger are very deep seated with the ore-bearing veins extending over a wider area at depth than was the case around 2,000 ft.

West of the main mine at shallow horizons, ore is being found in a section where possibilities were regarded as exhausted some time ago. Now it is thought considerable tonnage will be won in this section particularly if the veins extend through as far as surface. Their average grade is understood very satisfactory.

Position of Hollinger's Ross mine is also showing improvement with new ore body under development. This is the second ore body to be opened up here in the last few months.

O'Brien Gold Mines declared dividend of 10 cents per share payable Oct. 16, 1939, to shareholders record Sept. 30. A similar payment was made on Feb. 1, 1939.

Investment Foundation Pays Extra on Arrears

From Our Own Correspondent

MONTREAL.—Investment Foundation Ltd. has declared a dividend of 75 cents a share and a further dividend of 25 cents a share on account of arrears on the cumulative preferred stock. Payment is for the quarter ending Sept. 30, payable Oct. 16 to shareholders of record Sept. 30.

Probably it is the traditional perfection of their "London Mixtures" which has made Englishmen so fond of their pipes ... Piccadilly is just such a one, with all the fragrance and flavour, the slow-burning, cool qualities demanded by London clubmen, and developed for them by tobacconists with the accumulated experience of centuries in building choice tobaccos.

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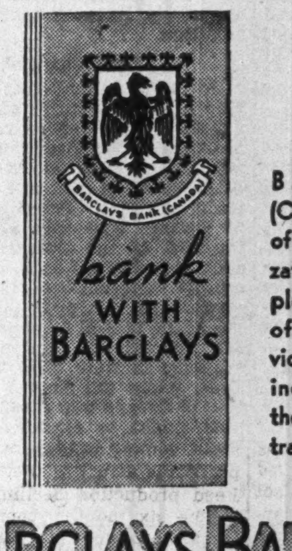

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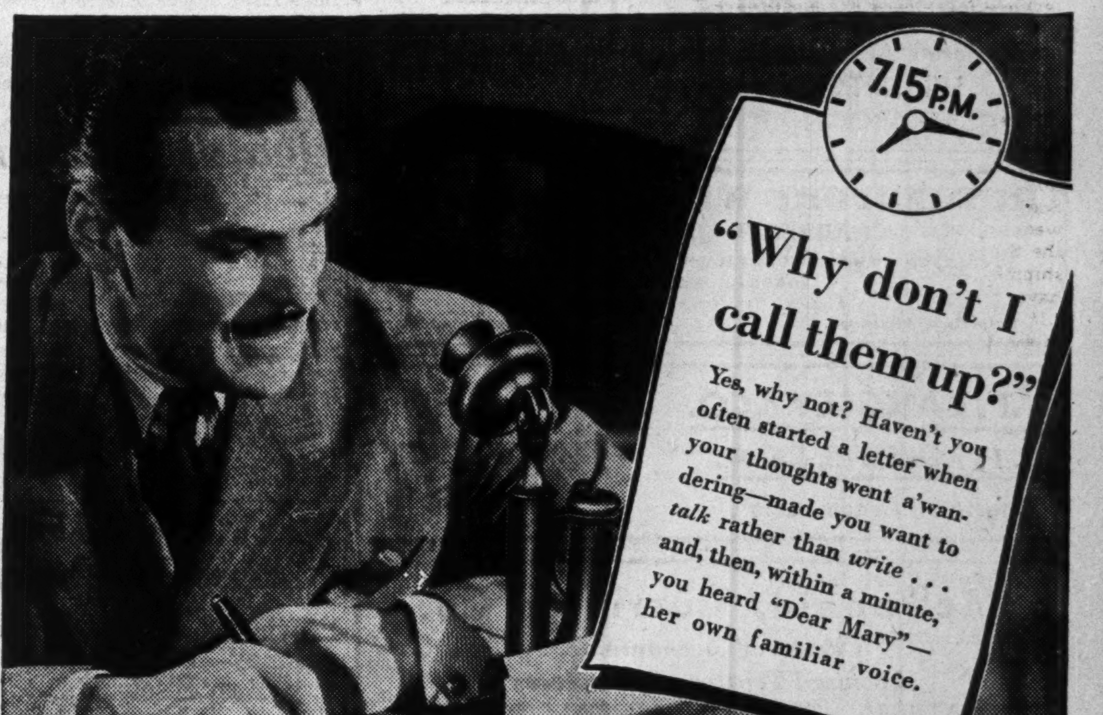

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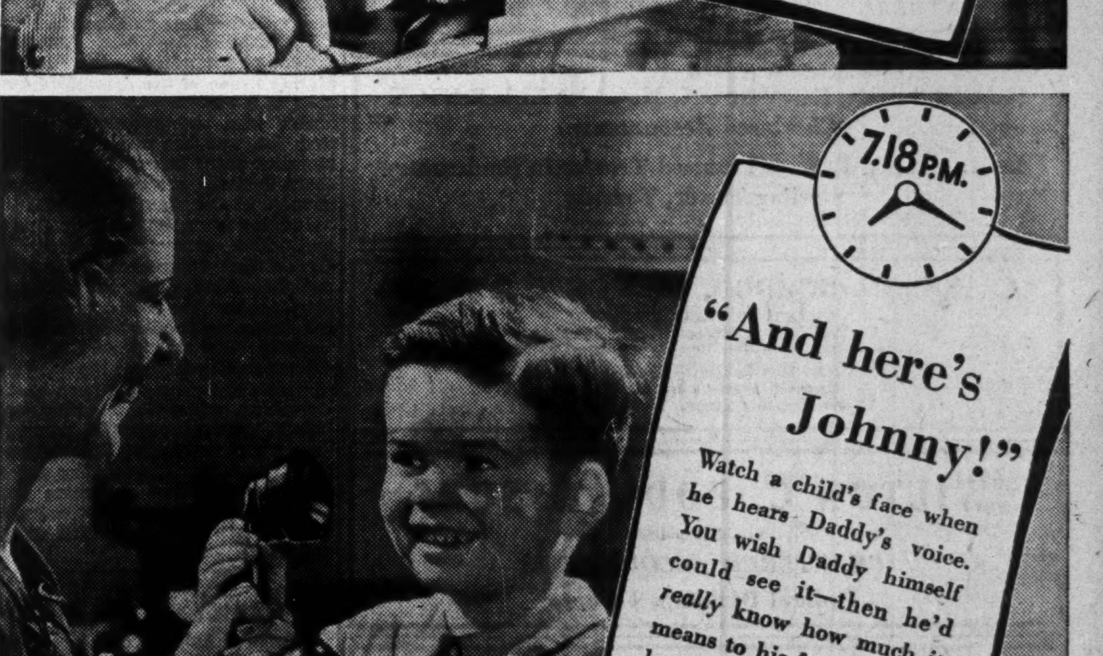

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Canada Prepares to Finance War Expenditures

Budget Draws Attention to Fact Participation is to Be Costly

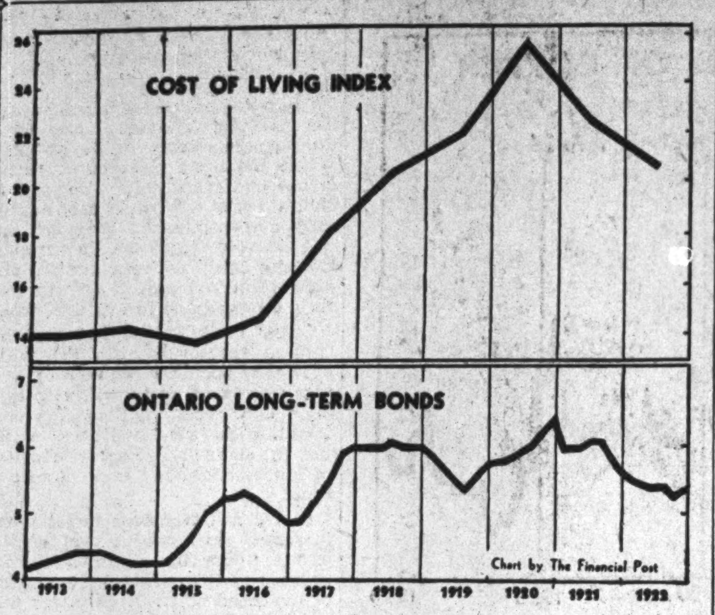

Chart by The Financial Post

BONDS AND LIVING COSTS

Comparison of the movements of interest yields on high-grade bonds and costs of living during the last war is depicted above. The living costs graph is based on the D. B. S. weighted total of 29 staple foods, fuel costs, lighting and rent. Because of the absence of a domestic market in Dominion Government bonds, the D. B. S. Ontario long-term bond index is used as indicative of the trend of yields during the period immediately preceding the war and for a couple of years after.

Outlook for high-grade bonds has undergone a profound change in the past few weeks. Investors, both private and institutional, are vitally concerned about the future of their government obligations.

Values have undergone drastic revision during this period, as had been expected. The Dominion Bureau of Statistics' daily index of long-term bonds on July 21 stood at 118. By September 7 it had dropped to 108.7.

It cannot be said that the decline came as a surprise. Investment counsellors had for a long time been very guarded in their recommendations and suggested restriction in buying to short-term obligations, on the premise that this class of security would suffer least in a price decline.

Decline "Cushioned"

Most surprising feature of the market action was the orderliness with which prices declined. There was no panicky "dumping" of securities, and it has been evident that the downward movement has been "cushioned" by the Bank of Canada. There was, as might be expected, little or no buying by the public. The bank also moved to prevent short sales of government bonds and stabilize the markets generally.

The initial war budget of the Dominion Government calls for a $100 millions appropriation. Experience of 1914-18 will in all probability provide many valuable lessons for the Dominion. It is believed probable that the Government will finance as much of extraordinary expenditures from taxation.

Check Interest Rates

One competent observer told The Financial Post that he did not look for any interest rates on government loans, comparable to those of the Great War. Nor does he expect high-grade bond prices to be pegged.

There has arisen a powerful sentiment that was not evident in the last conflict; no one will be permitted to profit from the sacrifices of others. Capital, as well as man power, will shoulder the staggering burden of conducting a modern war. Interest rates on government loans are not expected to reach Great War levels, but will be somewhere between the present rates and those that prevailed during the last war.

Institutions with large holdings of high-grade bonds, and private holders, will suffer from the decline in prices of high grades. Higher returns on new investments will compensate in part, at least, for loss of capital.

Inflation Effects

Investors with fixed incomes are asking themselves how an inflation, even of a mild sort, which is likely to accompany the financing of war expenditures, will affect them.

On all these things it is easy to generalize from experiences of the past, not knowing whether these will be entirely applicable, but it is difficult to estimate the degree to which holders of high-grade bonds will be affected.

With large demand by the Dominion Government on domestic markets, it is probable that the provinces and municipalities will not find the same ready reception for their obligations as in the past few years. It is also likely that these governments will be forced to retrench considerably because of the prior claim of national emergency measures. Moreover, pressure of relief will be lightened on the junior governments' shoulders.

There are many similarities and contrasts between August, 1914, and August, 1939. There is a new and important factor—the existence of the Bank of Canada. Signs of its operations have already been in evidence.

Debt Changed

Up to the outbreak of the Great War in 1914, Canada had depended almost entirely upon Great Britain for loans to the Dominion and provincial governments. At March 31, 1914, Dominion debt in London was $302.8 millions. Principal payable in Canada was only $717,453. By the end of the war, the nation's debt had changed from a preponderantly external one to an overwhelmingly domestic one. At the end of the 1920-21 fiscal year, funded debt, payable in London, was $336 millions; in New York, $135.9 millions, while the funded debt payable in Canada was $2,082.8 millions.

As might be expected, the outbreak of war brought a wholesale decline in prices of European bonds. Prices of U.S. high-grade bonds, however, rose with the war news in 1914. British consols declined immediately on the outbreak of war, while Canadian obligations exhibited more or less the same trend as the British.

Really serious declines in the U.S. high-grade bonds did not occur until the country entered the war in 1917, or immediately prior to that occasion. The U.S. bond market, at the outbreak of the present war, and for weeks preceding the actual outbreak of war, was weak.

One U.S. observer suggests that once the initial shock of the present war is over, prices of U.S. high grades might again move upward.

U.S. Important Factor

Much of the future for Canadian high grades depends upon the attitude of the U.S.; whether the neutrality legislation will be rescinded or modified; the effect of war trade on the U.S., etc. If Canada were shut off from the U.S. capital market, it would be all the more difficult to finance the expected requirements of industry here. If, on the other hand, Canada had access to the U.S. market, it would be less difficult to obtain cash or credit for the expansion of Canada's industrial facilities and governmental expenditures.

There appears little doubt that the sympathies of the U. S. are with France and England. Neutrality legislation places a strait jacket on exportation of war materials and capital for wartime production, but there seems a good chance of some modifications in the near future.

The Financial Post has been told that the Canadian Government will follow a policy of financing as much of its war expenditures as possible from taxation. Borrowings will be kept to a minimum and it is probable that because of the possibility of getting materials and capital from the U. S. in the event of the neutrality law being modified, the Dominion Government will not intentionally authorize inflationary measures to finance war expenditures.

Similarities and Contrasts

There are many dissimilarities between 1914 and now. Canada entered the Great War with its ability to borrow any substantial amount of funds, untried. At that time the U. K. market was strained to the utmost to finance its own abnormal expenditures. The Canadian Government was able to borrow from the British Government for emergency use early in the conflict, but it was not until November, 1915, that it attempted to float a bond issue. There followed a series of unprecedentedly large borrowings.

The majority of war loans contained a tax-exempt feature which was dropped on the sixth Canadian issue. Following is a tabulation of war loans floated by the Canadian Government:

Canada's Wartime Financing

Date	Amt. (in $000)	Int. %	Term Yrs.	Pay.	Yield %
Nov., 1915	100,000	5	10	Can.	5.42
July, 1915	25,000	5	1	U.S.	...
	20,000	5	2	U.S.	...
Mar., 1916	75,000	5	5, 10, 15	U.S.	...
Sept., 1916	100,000	5	15	Can.	5.30
Mar., 1917	150,000	5	20	Can.	5.40
Aug., 1917	100,000	5	2	U.S.	...
Nov., 1917	150,000	5½	5, 10, 20	Can.	5.61-5.81
Nov., 1918	300,000	5½	5, 15	Can.	5.50
Nov., 1919	300,000	5½	5, 15	Can.	5.50

Outbreak of the present conflict has seen little of the panic and lack of confidence that characterized commencement of hostilities in 1914. There have been no "runs" on banks, and Canadian investors enter the trying period ahead with every confidence in financial institutions and government securities.

Up to the first domestic loan in 1915, the Dominion Government had borrowed £12 millions sterling from the British treasury. Because of the unfavorable exchange rate of the dollar in comparison with the pound sterling, it would have added to the expense of financing military expenditures to raise funds in Great Britain. The latter nation entered the war with a favorable exchange rate, but the pound declined substantially during the war.

Raised Note Issue

The Canadian Government also raised the authorized note issue $25 millions. Arrangements were made with Canadian banks to extend liberal credit to customers in order that ordinary business might not be impeded. Commercial discount rates were held.

First loans to Canada by Great Britain were repaid by credits in Canada, which were subsequently used for purchasing munitions, wheat, flour and other Canadian products. In turn, the sale of these products enabled Canadians to subscribe to the war loans. By the end of the war Canada's borrowings from the British treasury were repaid and a debt of $400 millions incurred by the British treasury in Canada, one half of which was owned by the Canadian Government and the other half by Canadian banks.

Financial Intermediary

During this period Canada acted for the first time as financial intermediary between the allied powers and the United States. Sir Thomas White, wartime Minister of Finance, describes this function in "The Story of Canada's War Finance":

"In midsummer of 1915 we determined to float as large a loan as possible in New York . . . . The American public generally were more friendly toward Canada than to Great Britain and it was not thought serious objection would be raised in any quarter toward our borrowing in New York. Nevertheless, so sensitive was the situation that we decided to borrow not for war purposes, but for public works and other capital expenditures. This would take the loan out of the category of a war issue, and would serve our purpose just as well, because the proceeds of the loan would liberate for war purposes just that amount of our revenues which could then be applied for the purposes of war."

The fact that Canada could get its capital requirements domestically and the extent to which Canadians oversubscribed loans came as a great surprise to authorities. The first request was for $50 millions. Because of a large oversubscription, this amount was raised to $100 millions. In the second loan the Government asked for $100 millions and was offered $200 millions. The next request was for $150 millions and $250 millions was offered. Canada was able to obtain better prices for its issues than either France or Britain. This favorable response paved the way for the large Victory Loans that followed.

The three Victory Loans of 1917, 1918 and 1919 are described by Sir Thomas White as the greatest financial achievement of Canada during the war. These three loans raised more than $1,700 millions, which was almost twice the amount of all the deposits in all the chartered banks before the war. These loans were in reality subscribed by the public from savings made during the war itself.

Empire Arsenal

With Canada performing the functions of an arsenal and chief source of supply for the Empire there is a strong possibility that the nation will emerge from the war with Britain as a large creditor.

Canada has already refunded all of the Victory Loans at a much more favorable rate of interest than those of the original loans. Maturities of the original loans extended to 1937. A considerable part was taken up by some private citizens, and the chartered banks were left with sufficient capital to finance essential industries and peacetime endeavors.

In many respects, the ordeal of war brought Canada to its financial maturity. Bonds for the first time became a recognized medium for the unskilled investor. Canada's credit rating was established and henceforth the nation found little difficulty in closing large loans, either externally or on domestic markets.

Canada approaches another world struggle, a nation matured and more sure of its ability to finance its participation in the European conflict. It will form an invaluable unit of the Empire. Its resources, hitherto only dimly realized, will be exploited to the utmost.

Louisiana Land Adds To Holdings of Own Stock

From Our Own Correspondent

MONTREAL.—Lousiana Land & Exploration Co. announce that during August the corporation reacquired 1,500 shares of its capital stock. As at Aug. 31, 1939, the corporation held 35,044 of its own shares.

Health Insurance In B. C. Likely To Be Held Over

From Our Own Correspondent

VANCOUVER.—The war and the resultant necessity to tighten the purse strings on provincial finances are expected to frustrate the hopes of the British Columbia Government as regards health insurance.

The issue will probably come before the next session of the Legislature in Victoria in a formal way, but as adoption will cost a good deal, it is considered unlikely that there will be much support for it.

Most of the effective opposition to health insurance has come from medical men, who disagreed with technical details of the proposed programme. In the immediate future the opposition will be based on lack of funds.

War May Hold Up Alaska Highway

Provincial Govt. Hasn't Money—Dominion Too Busy Elsewhere

From Our Own Correspondent

VANCOUVER.—While American interests sponsoring the Alaska highway, one of the dreams of Premier T. D. Pattullo, are anxious to go ahead with the project and claim that the war has made early construction more imperative than ever, there is small prospect of financial support in Canada at this time.

Judging from reports from Seattle and other American points, the United States members of the international Alaska highway commission feel that the road through British Columbia should be financed in Canada. The attitude of the British Columbia Government has been that it hasn't the money for such an undertaking, and with so many other things to pay for now it seems unlikely that the Federal Government will show much sympathy for an enterprise costing anywhere from $15,000,000 to $30,000,000 the economic results of which are still rather uncertain.

Changes Are Considered For Radio Commission

From Our Own Correspondent

OTTAWA. — Immediate wartime changes in the Canadian Broadcasting Commission are believed to be certain. L. W. Brockington is being considered by Premier King to head a Bureau of Information, similar to the British Ministry of Information, it is stated. It is presumed that Mr. Brockington will devote his full time to the new position. It is considered possible that the Canadian Broadcasting Commission will be tied directly to the Government.

Municipal Finances

Windsor, Ont., board of sinking fund trustees has approved use of $50,000 from sinking fund for purchase of land to be used as an airport. The money has been secured by five-year serial debentures.

* * *

Regina tax collections for 1939 may equal total levy for the year, it is indicated by collections in the first eight months of the year, contained in a report of L. G. Geernaet, city assessor and tax collector.

* * *

Moose Jaw collection of current taxes amounted to 66.26% of total levy, it is reported. This compares with 67.04% in a similar period of 1938. Total taxes to current levy during the period was 86.13%, compared with 75.92%.

MORE BELL STOCK

From Our Own Correspondent

MONTREAL.—Bell Telephone Co. of Canada has announced that the company has authorized the Montreal Trust Company to register 620 additional shares of its capital stock,

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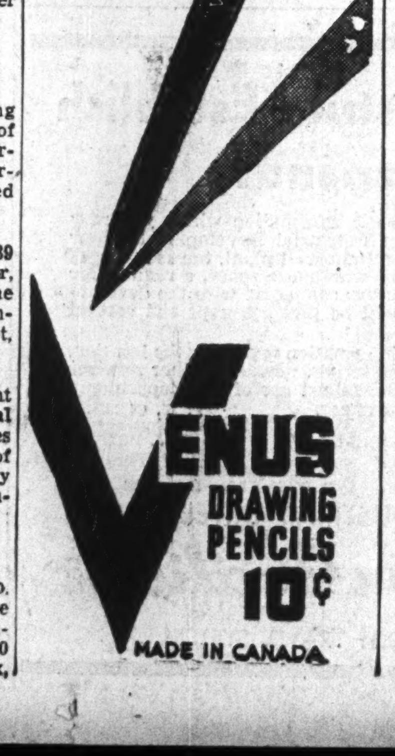

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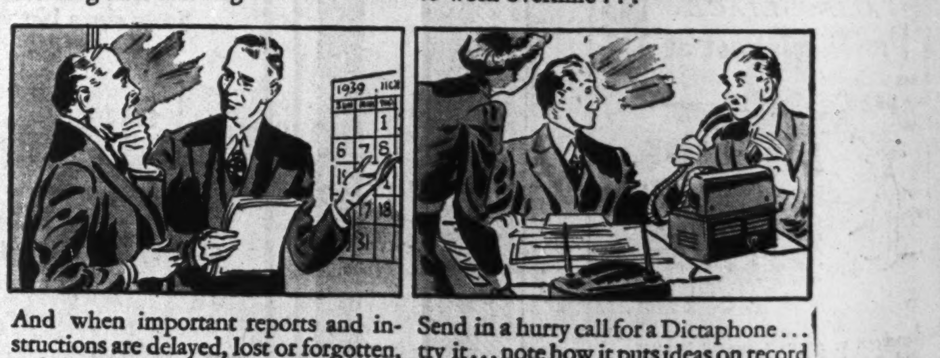

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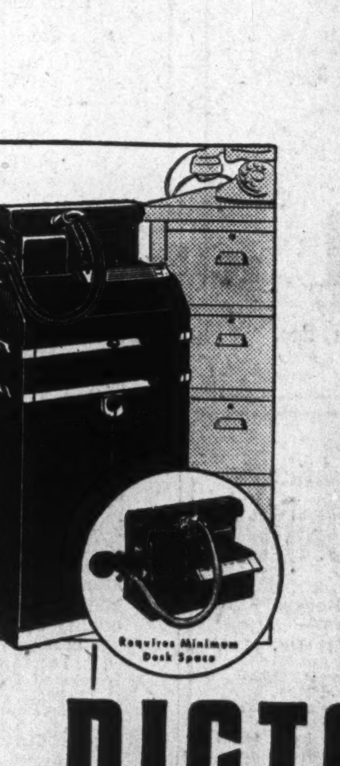

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